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The Small Business Adviser

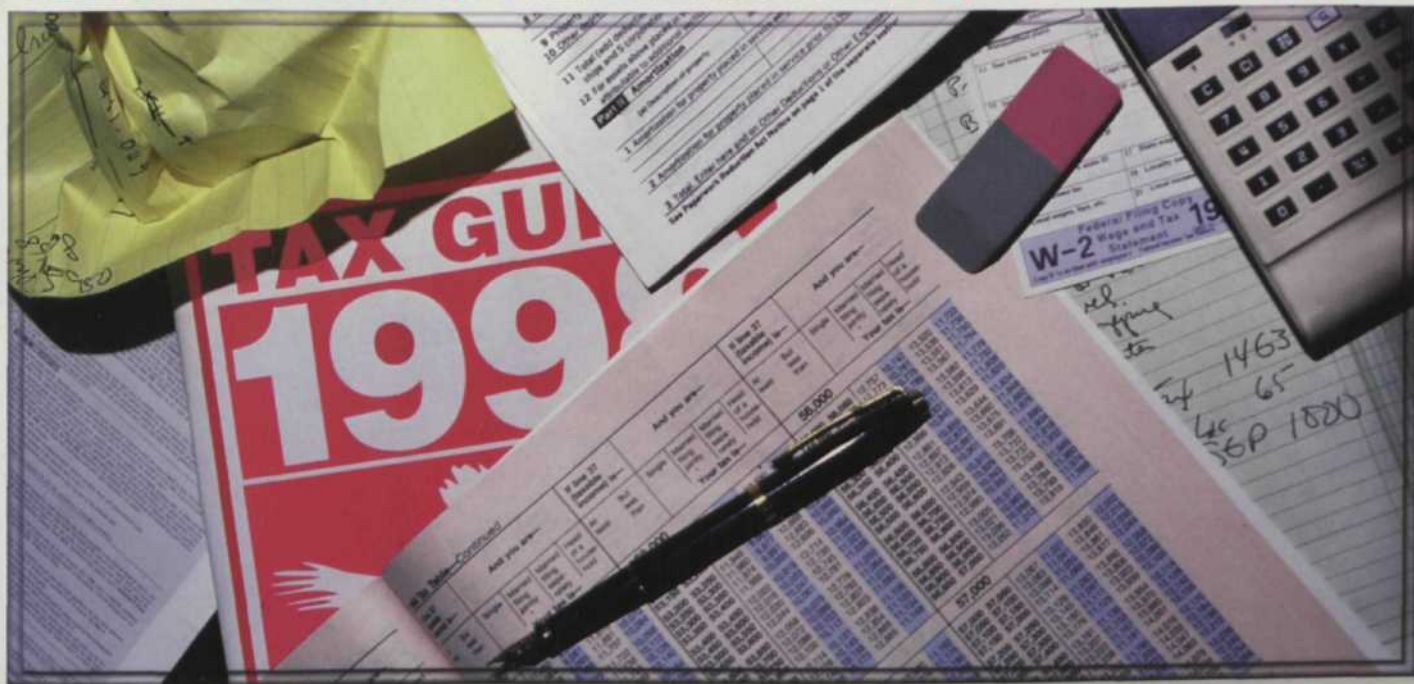
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**New Technology  
For Small Offices**

**Trends In Auto  
Fleet Leasing**

**Managing Employees  
In Periods Of Turmoil**

## Can The IRS Be Fixed?



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PHOTO: T. MICHAEL KEZA

The Internal Revenue Service, criticized for, among other things, overzealous collection methods and presuming the taxpayer is guilty until proven innocent, is the focus of reform efforts not only from outside the agency but also from within. Cover Story, Page 16.



PHOTO: GUCHA ZICH

Art marketer Janet Madori says her disability—severe narcolepsy—spurs her to “try harder” to succeed. Enterprise, Page 35.

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The Internal Revenue Service's methods anger and frustrate many taxpayers. Congress and the IRS itself are attempting reforms to make the agency more taxpayer-friendly, but the task is daunting.

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PHOTO: EKEN TOUCHTON

"Winsulator Man" Edward VerVane's deep belief in his product—interior storm windows—is no illusion. *Making It*, Page 84.

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## The Hand On Your Wallet

If there's one federal agency that many small-business people love to hate, it's the Internal Revenue Service. Not only does it take much of what their labor produces, but one of its favorite words—"audit"—can provoke intense fear in the most honest entrepreneurial minds.

Our cover story this month focuses on efforts to improve the agency's reputation—to make it more customer-friendly. I doubt, however, that the IRS will ever conjure up pleasant dreams.

Nevertheless, several serious attempts are under way to enhance its operations and dealings with taxpayers. Among those with plans to fix the IRS are Congress, the president, and the agency's commissioner, Charles O. Rossotti, at left in the photo above with *Nation's Business* Senior Editor Jim Worsham.

Rossotti's record proves he can take on a challenge and succeed. He founded an information-technology consulting company and ran the business skillfully for 28 years before assuming the top job at the IRS.

Rossotti is one of a number of high-profile reformers who talked to Worsham for this report.

I encourage you to read this month's cover story, which begins on Page 16, and decide what you think. Can the IRS be fixed?

Then watch for future reports on the tax code—something that many Americans believe needs fixing even more than the agency that enforces it.



PHOTO: T. MICHAEL KEZA



Our special report on the latest office-equipment technologies for small firms begins on Page 59. Written by our technology editors, Tim McCollum and Al Holzinger, "Luxury Hardware At Budget Prices" will bring you up-to-date on the latest digital tools for improving business productivity. Our other special report, on trends in auto leasing, begins on Page 54.

*Mary Y. McElveen*

Mary Y. McElveen  
Editor

# Nation's Business

# Letters



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## Is A Surplus The Cure For Social Security?



As you reported in "Surplus Mania," your March cover story, President Clinton and some members of Congress want to use any federal-budget surplus to shore up Social Security.

That would be a politician's dream. Lawmakers legally and regularly steal from the Social Se-



curity trust fund as it is; adding more money to the system would only give them more to spend.

The only cure for the Social Security mess is to privatize the system, with mandatory savings by individuals for retirement use only—no exceptions for education use, buying a first house, or anything else.

Individuals should be allowed to invest these savings any way they wish. Even though this might be risky in some cases, it would be far better than the present system, under which *all* is at risk of being spent by our so-called leaders.

Keep our retirement money out of the hands of politicians. They have proved to us day after day that they are fiscally irresponsible.

Donald Bradley  
Plainfield, N.H.

## Revenues And The Debt



While reading your excellent cover story on the projected federal-budget surplus, I came across the accompanying piece, "The National Debt In Brief," which included a short

history of the origin and growth of the debt.

The article stated that the debt "grew relatively slowly over the first post-World War II generation but began soaring in 1981 as spending for social programs and defense skyrocketed."

I was reminded of a graphic I saw a few years ago in *The Statistical Abstract of the United States*. The graphic was a perfect demonstration that the huge debts of the Reagan administration originated in the massive tax cut of his first year in office.

While the revenue curve dropped dramatically after the tax cut was put in place, the spending curve continued on a steady upward slope, with the difference between the two representing the deficits that were run during the Reagan era.

The abrupt drop in revenue was halted after a Social Security tax increase was instituted and the economy began to recover from the recession.

While many people believe that it was spending increases that led to the huge deficits of the 1980s, I believe that revenue shortfalls were more to blame. For those who are uninformed on the statistics, however, the argument of excess spending carries a lot of weight.

Gene W. DeVaux  
Raytown, Mo.

## Push For Drug Programs Elicits Skepticism



Your article "An Expanded Push For Drug Programs" [March] adds to my frustration about business myopia.

The push for added federal regulations and drug testing (hailed as drug programs) does nothing for addicts or those of us who are trying to treat them. These new efforts may identify new patients, but without more resources, treatment programs, and professional services, how will that help?

The simple fact is that current public and private policies on drugs and alcohol so restrict access to care that those already known to be addicted cannot receive the help they need. Government cutbacks and a lack of benefits in most commercial insurance programs are the two primary reasons for this state of affairs. In addition, changes in social policy, such as the recent reform of welfare, have put more of a burden on an underfunded and understaffed delivery system.

I applaud the launching of the two-year study on the impact of substance abuse on

American business, but I must add that such studies have been done so many ways and so many times that I am surprised another needs to be done. The impact is enormous, just as the benefits of treatment are enormous.

Recent history shows, however, that both of these messages are being ignored. To understand the potential of these messages, one needs to know only two basic facts: that 70 percent of illegal-drug users are employed and that national recovery rates after treatment range from 40 to 80 percent.

My hope is that the new study will bring home these messages to business. I am not, however, optimistic.

*Mark Knudsen*

*President*

*Springbrook Northwest, Inc.*

*Newberg, Ore.*

## Wondering Why We Can't Drop The Federal Unemployment Tax

✉ As an employer, I can't help wondering if some of our taxes are really necessary.

As politicians run for office, one of their most appealing platforms is to cut government taxes, waste, and regulations, or to simplify taxes and tax re-

the states and use those funds to pay the state employees and overhead expenses of the state unemployment insurance offices. So in effect, employers pay the federal government to pay the states to collect from the employers.

Why not eliminate the middleman? Why can't employers pay the state directly? Is there any good reason why we can't ax the FUTA?

*Dr. Kendall J. Barrowes*

*Orthodontist*

*Spanish Fork, Utah*

## Some Further Advice For Case-Study Subjects

✉ Your case study "The 'Interfering' Wife" [Family Business, April] recounts the story of Dennis, the valued chief dispatcher for a fuel-oil company whose inappropriate remarks to a female employee cause her to resign. Dennis is later heard to say that the employee's replacement should also be female, because a woman would receive a lower salary than a man. That sets off concerns for Marie, the company bookkeeper, who is told to mind her own business by her husband, John, the firm's president.

Dennis' opinions on women seem to reflect those of John, who believes that his wife should be restricted as to what she can do or talk about in regard to the business. This is the same attitude that Dennis took with the female employee and with female workers in general.

Marie should talk to her husband and Dennis together about these problems. If John continues to regard her understanding of and concern over this blatant sexism as interfering, Marie should tell him to either change his ways or see a marriage counselor or a divorce lawyer.

In this day and age, no woman in a business or in a marriage should have to put up with this type of nonsense.

*Marty Poynter Hedgepeth*

*General Manager/Owner*

*Techno Engineering*

*Scottsburg, Ind.*

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turns and shift more control from the federal government to the states.

I have a simple suggestion that would accomplish all of the above: Eliminate the Federal Unemployment Tax (FUTA). This tax, reported on Internal Revenue Service Form 940, must be paid by employers annually or quarterly; those who don't do so receive stiff penalties.

This is my understanding of the way the FUTA works:

Employers pay state unemployment insurance. Then they report what they paid to the federal government on Form 940. The feds then tax what employers paid to

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# ENTREPRENEUR'S NOTEBOOK

By Rick Hartmann

## Separating Your Firm From The Competition

**T**he challenge for my company—or any other company in a business where there is little obvious difference among the various competitors' products—is to differentiate its work from everyone else's.

My company makes universal joints. A universal joint transmits power through an angle; it's what transfers power from your car engine's drive shaft, for example, to its wheels. And while it would be going too far to say that nothing about the universal joint has changed since its invention in the 1600s, it is fair to say that the U-joint is largely a standardized product.

While some atypical applications require special design, the overwhelming majority of joints produced by my firm, Curtis Universal Joint, and our few competitors come in set sizes and materials and do the same job.

Creating a distinction between your company and its competitors means doing business differently from the others. For example, we have a well-regarded competitor whose prices are consistently higher than those of other universal-joint manufacturers. You might expect this to have a negative impact on the firm's market share, but the higher prices have garnered attention from, and sales to, people who equate price with quality.

At my 46-employee company, which serves manufacturers and users of light-industrial equipment such as food-processing and packaging machinery, we have tried to stand out by creating value-added programs that address key consumer issues.

For example, the industry has traditionally offered not only a standard product but also standard response times—slow and slower, especially for anyone who needed something customized. Customers who were looking to replace a broken U-joint often were left with thousands of dollars of equipment idled for days or weeks

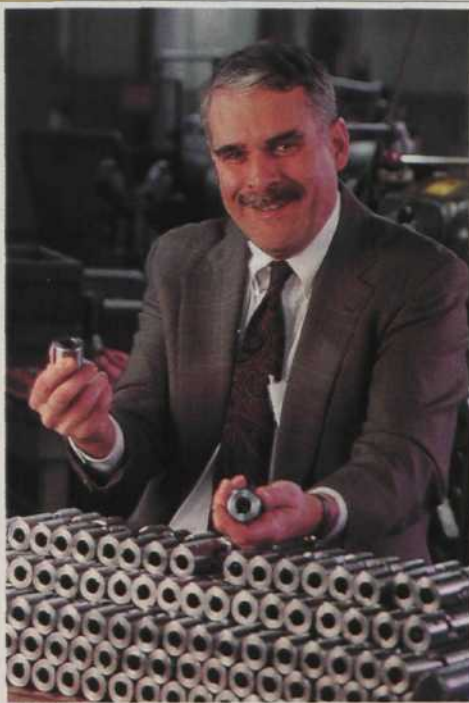


PHOTO: ERICHARD HOWARD

*Focusing on customers' needs is Rick Hartmann's strategy for making Curtis Universal Joint stand out from its competitors.*

while they waited for a \$15 part.

In response, we created The Curtis Guarantee, which promises that orders received by 3:30 p.m. Eastern time will be shipped that day or the customer will get a \$50 credit. Since the guarantee debuted 18 months ago, our sales volume has increased more than 20 percent. And by changing the customer's focus from price to service, we have been able to raise prices with no adverse effect.

We applied a similar concept to custom orders, providing price quotes within four hours—as opposed to the industry standard of a week or two—and guaranteeing shipment within a week.

Delivering finished goods in less time than it would take the competition to put together estimates required creating a specialized team of employees and streamlining operations. Here, too, the value added to the consumer not only increased special orders by about 20 percent but allowed us to raise prices.

Adding value and standing out from the competition is not just a marketing gimmick. To boost business, you must offer something truly important to the customer and then get the word out so that sellers—or, in our case, distributors—understand what sets your firm apart.

Not to be overlooked in terms of both adding value and differentiating yourself is the development of relationships between your firm and distributors or direct purchasers.

On the original-equipment-manufacturing side of our business, in which we supply U-joints directly to equipment manufacturers, we strive to develop relationships during the product-development stage.

The more help we can give a designer with regard to developing joint specifications, the more reliable the machine and our parts will be—which gives our products a better shot at being used not only initially but also as replacement parts.

The same holds true for relationships with distributors, who, given the standardized nature of the product, have a choice between calling the first number they find or sending business toward you. When these key decision-makers enjoy doing business with you, it creates loyalty that translates into sales.

Finally, the greatest differentiator for any product supplier is how it follows through. Always delivering on your promises is guaranteed to set you apart. **■**

## WHAT I LEARNED

*In a business with little difference among competitors' products, distinguishing your firm in some way can pay off.*

*Rick Hartmann is president of Curtis Universal Joint in Springfield, Mass. He prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on starting or running a business are invited to contribute to this column. Write to: Entrepreneur's Notebook, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.*



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# Dateline: Washington

*Business news in brief from the nation's capital.*

## ORGANIZED LABOR

### Key Vote On Restricting Use Of Union Dues Is Set For June

June 2 is a pivotal date in the surging nationwide movement to bar labor unions from using members' dues money for political activities without their express consent.

On that day, Californians will vote on the Campaign Reform Initiative (Proposition 226), which would require unions to get members' written permission annually to use any portion of their dues for political purposes.

Voters in Washington state adopted a similar initiative in 1992, and the Wyoming Legislature passed a bill outlawing the practice in March of this year. Idaho and Michigan also have so-called paycheck-protection laws.

Similar legislation has been introduced in both houses of the U.S. Congress, but both bills were defeated as part of action on campaign-finance reform. House backers will press to have a bill considered on its own merits later this year.

Paycheck-protection initiatives are expected to be on ballots in November in Colorado, Nevada, and Oregon—and possibly in Arizona if backers complete necessary action. Such measures have been introduced in about 30 state legislatures.

Backers of these initiatives point out that unions' political stands often are opposite the views of large numbers of their members. About 40 percent of union households vote Republican, says the Cato

## TAXES

### Internet Tax Deal Reached, But Issue Is Far From Settled

Purchases made via the Internet would be immune from any new sales taxes for three years under terms of a recent agreement forged by the nation's governors and Rep. Christopher Cox, R-Calif., chief House sponsor of the Internet Tax Freedom Act.

This compromise House bill also would create a commission to draft legislation permitting each state to establish a single tax rate for online and mail-order catalog sales. The agreement followed negotiations between Cox and Utah Gov. Michael Leavitt, who represented the National Governors' Association, which had favored immediate taxation of online purchases.

## Union Membership In America

Union membership in the United States accounted for 14.5 percent of the work force—or 16.3 million workers—in 1996, according to the latest statistics available from the U.S. Department of Labor.

Percentage Of Workers	Percentage Of Workers	Percentage Of Workers
Alabama 11.4	Kentucky 12.7	North Dakota 9.1
Alaska 22.5	Louisiana 8.1	Ohio 19.5
Arizona 5.9	Maine 14.5	Oklahoma 10.4
Arkansas 7.1	Maryland 14.8	Oregon 18.0
California 16.5	Massachusetts 15.4	Pennsylvania 17.7
Colorado 9.7	Michigan 24.0	Rhode Island 19.1
Connecticut 16.5	Minnesota 20.3	South Carolina 3.7
Delaware 12.4	Mississippi 5.8	South Dakota 7.4
District of Columbia 17.2	Missouri 15.4	Tennessee 9.6
Florida 7.5	Montana 15.6	Texas 6.6
Georgia 7.7	Nebraska 8.6	Utah 8.4
Hawaii 23.2	Nevada 20.4	Vermont 9.7
Idaho 8.7	New Hampshire 11.2	Virginia 6.8
Illinois 20.0	New Jersey 21.8	Washington 19.8
Indiana 14.9	New Mexico 8.4	West Virginia 15.7
Iowa 13.0	New York 26.8	Wisconsin 18.8
Kansas 9.6	North Carolina 4.1	Wyoming 9.7

Institute, a Washington-based policy-research organization. Nonetheless, unions gave 92 percent of their campaign contributions to Democrats in the 1996-97 election cycle, according to the Federal Election Commission.

Bruce Josten, executive vice president for government affairs of the U.S. Chamber of Commerce, says, "It violates basic American rights for people to be compelled or coerced to support causes or candidates

they oppose." And in a recent speech at the U.S. Chamber, California Gov. Pete Wilson called on the business community to back the initiative to end what he called a "modern-day tyranny."

Californians to Protect Employee Rights, an umbrella group of unions and others working against the initiative, calls Wilson and other backers of the initiative "extremists."

—Thomas Love

State and local government officials bitterly opposed the original Internet Tax Freedom Act legislation—the version still pending in the Senate—whose chief architects were Cox and Sen. Ron Wyden, D-Ore. The original version would provide for a six-year moratorium on new Internet taxes and for a congressional study on the issue.

Opponents contend that a moratorium of that duration would drain local and state tax revenues and penalize small businesses that don't sell over the Internet.

However, moratorium supporters, including President Clinton, counter that allowing state and local governments to apply potentially hundreds of tax rates to online transactions conducted by parties in different jurisdictions would severely hinder the

development of the fledgling commercial medium.

Under Cox's compromise House bill, Congress would create a Commission on Internet Commerce, made up of state and local officials, representatives of business and consumer interest groups, and the U.S. Commerce and Treasury secretaries. The commission would have two years to create a uniform system of taxation and a third-party system for collecting the taxes.

Wyden continues to oppose the compromise, however, contending that three years would not be enough time to study the issue. He says the bill still would hurt small online merchants by allowing existing state and local taxes on Internet sales to stand.

—Tim McCollum

# Managing Your Small Business

*A landmark approach to growth; promoting a free flow of ideas; redefining the mission for survival.*

By Thomas Love

## PLANNING

### Keeping A Steady Rein On The Firm's Expansion

Kathryn Ford has heard many stories about burgeoning businesses growing so fast that they fail, and she realizes it would be easy to let such a thing happen.

So she and her daughter, Elizabeth, are being careful to maintain limits on the growth of their Historical Chocolate Co. of Fairfax, Va. Kathryn, who also is a practicing psychologist, says: "I built up my medical practice slowly and carefully, and I'm treating this business as carefully as I treated my practice."

"I think it is really important that you can produce what you say you can produce. We're really trying to stick to that."

The company makes chocolate candy in the shapes of well-known buildings, including the U.S. Capitol, the White House, and the Lincoln and Jefferson memorials.

The idea cropped up three years ago when Kathryn received a gift of casino chocolates—candies in the form of playing cards, roulette wheels, poker chips, and other gambling paraphernalia. As they ate the candy, the two discussed what else could be made from chocolate; they settled on historic buildings.

While vacationing in Chautauqua, N.Y.,



PHOTOS: T. MICHAEL KEZA

Elizabeth—now a second-year medical student at the University of Virginia in Charlottesville—had plastic molds made from drawings she had done of certain historic buildings. Melted chocolate was poured into the molds. The manager of the Athenium Hotel there tried the product and

**Candy maker Kathryn Ford** wants the foundation of her company's growth to be as solid and enduring as the historic structures that her chocolates depict.

placed the firm's first order.

In addition to six Washington candies, the Fords have expanded to representations of buildings at Virginia landmarks such as Colonial Williamsburg, the University of Virginia, and Monticello, Thomas Jefferson's Charlottesville home. The candy is sold at Virginia Company stores as well as at Williamsburg, the University of Virginia, and Monticello.

Kathryn says she keeps few financial records but thinks that in December the company probably made its first profit, on sales of about 400 pounds of chocolate. "I can see where we are going,"

she says. "We're going to build a solid foundation each step of the way. I have seen too many companies that have grown too fast without the necessary infrastructure."

Interestingly, Kathryn says she had little taste for chocolate until she started making it. "If I'm at the company and have nothing for lunch, guess what I eat—chocolate." ■

## EMPLOYEE INPUT

### Back To The Old Suggestion Box

The lowly suggestion box, presumably eclipsed by flashier management tools such as quality circles and benchmarking, is back in vogue, according to Charles Martin, an associate professor of marketing at Wichita State University in Kansas.

"Companies that set up effective suggestion systems are finding that employees have great ideas that can lower costs, increase revenues, improve efficiency, or produce greater quality," says Martin, co-author of *Employee Suggestion Systems: Boosting Productivity and Profits* (Crisp Publications, \$9.95).

Suggestion systems can be as sophisticated as computer-based messaging programs, Martin says, but most firms find the simple suggestion box works quite well. To make an employee suggestion system effective, he says, a company should:

- Make one person responsible for its operation.
- Start small and grow if necessary.
- State which employees can participate and the departments on which they may comment. (Some firms ask employees to confine their suggestions to the departments in which they work; others give employees free rein to comment on matters throughout the company.)
- Reward employees for recommenda-

tions that are implemented. At some firms, the reward is 10 percent of the first year's savings or additional revenue attributed to the suggestion. If a suggestion is not adopted, thank the person nonetheless.

■ Publicize the system regularly, and promote the fact that employees are being rewarded for successful suggestions.

■ Make it known that management really considers the suggestions and acts on the best ones.

There also are indirect benefits of an employee suggestion system, Martin says: "Employees work together better as a team and often submit ideas as a team. And they begin to think more like managers, looking beyond the scope of their own jobs." ■

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## POSITIONING

## Evaluate What You Are Really Providing

If it begins to look like your firm's business might decline, it may be time to re-examine exactly what you're offering customers.

That's what William M. Greenblatt did in 1987 when it appeared his firm's days were numbered. For 12 years, his company, Sterling Polygraph Systems of New York City, had been providing polygraph services to business customers seeking to evaluate job applicants. At the time, the firm employed 10 full-time polygraph operators and had annual revenues of \$2 million.

But that year, Congress passed a law banning the use of polygraph testing to screen applicants for most positions.

"The polygraph industry was always teetering on the edge of being eliminated—even when I first went into it," Greenblatt recalls. "As a matter of fact, in my first year in business, the New York Legislature passed a bill outlawing [polygraph use], but the bill was vetoed."

Faced with losing his means of generating revenue, Greenblatt sought to redefine what he was doing.

The need for pre-employment screening did not disappear with the restriction on polygraph tests. Law or no law, mistakes in hiring still could be costly to Greenblatt's clients.

In fact, Greenblatt says companies nationwide lose more than \$20 million a day to employee theft alone. Drug abuse, employee turnover, and absenteeism

cost them millions more, he says.

"I stopped thinking of my business as a lie-detector business and started thinking of it as a tool for providing pre-employment screening," he says. "So I thought about all the different ways to

which Greenblatt renamed Sterling Testing Systems, has grown to 300 full- and part-time employees, and revenue has jumped to \$5 million. Offices have been added in Philadelphia; Fort Lauderdale, Fla.; and Great Neck, N.J.

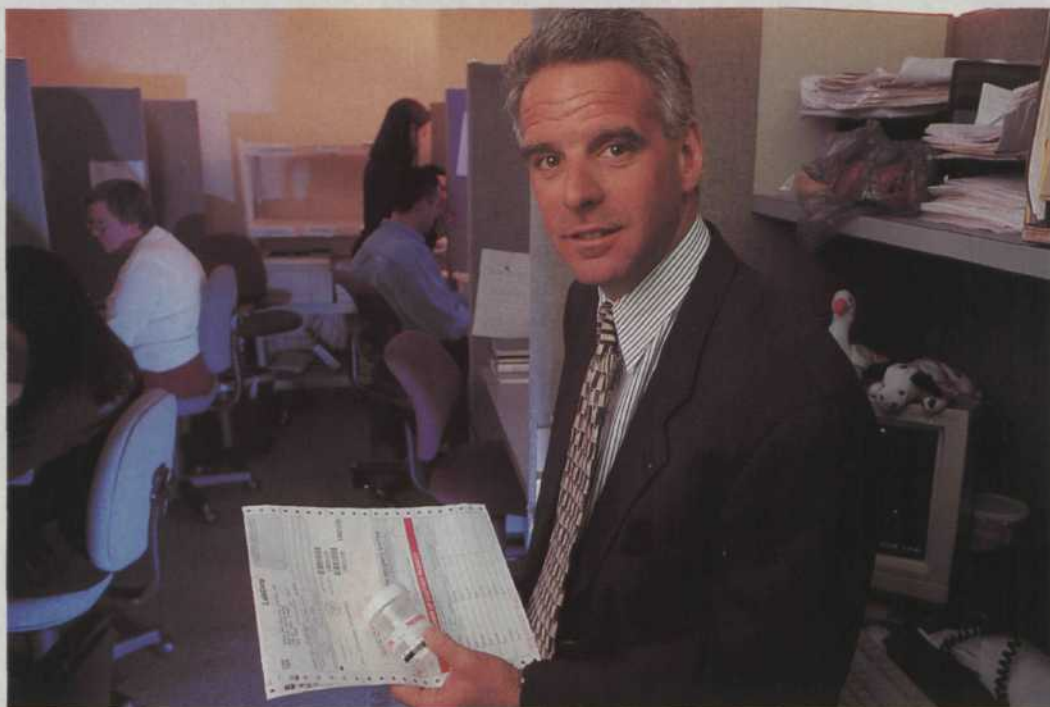


PHOTO: GARNOLD ADLER

**By widening his view of his company's purpose, William M. Greenblatt converted Sterling Testing Systems from a polygraph-administering firm into a pre-employment screening service.**

screen and came up with about 20 different ideas. Some worked, some didn't. Fortunately, nine or 10 have been very successful for us."

Among them are checking job applicants' backgrounds for criminal records, motor-vehicle violations, and credit abuses; verifying past employment; performing certified drug tests; and administering written tests designed to assess honesty.

Since its near demise, the company,

Greenblatt's turnaround led to his being named a 1997 honoree in the Blue Chip Enterprise Initiative, an annual program that recognizes small firms that have met challenges. The sponsors are Massachusetts Mutual Life Insurance Co., known as MassMutual—The Blue Chip Company; the U.S. Chamber of Commerce; *Nation's Business*; and "First Business," the weekday television news show presented by the Chamber.

## FACILITIES

## Making Sure Your Back Door Is Safe As Well As Secure

Nearly every small business has a back door—and with it a twofold problem, according to William Nelson, a lock-company representative.

First, there's the security issue: A company's unsecured back door is "a porthole for the bad guys," says Nelson, who works for the Securitech Group, a Maspeth, N.Y., manufacturer of security products.

But solving that problem raises the safety issue: A tightly locked back door can become a blocked exit if fire breaks out.

Under safety codes across the nation, Nel-

son says, any security device on a door in an occupied commercial building can have no more than one latching device, and the device must unlock with a single motion.

Nelson recommends a locking device that can be opened with a single push on a crash bar, but one that secures the door on all four sides. Most crash-bar devices secure a door on only one side, he says, which may not stop a burglar from gaining entry by prying past the solitary fastener or removing the hinges on the opposite side.

Regardless of the type of locking device a company chooses for its back door, Nelson says, it should be easy to open from the inside in an emergency.

## NB TIP

## Small-Business Check-Up

Certain financial ratios can be invaluable tools for analyzing the health of a business, says Alice Bredin, small-business adviser for American Express Co., based in New York City.

For example, she says ratios can indicate whether a business is carrying a dangerous amount of debt, holding too much inventory, or not demanding payment quickly enough.

Ten common ratios are described in "Understanding Financial Ratios," an article on the American Express Small Business Exchange on the Internet at [www.americanexpress.com/smallbusiness](http://www.americanexpress.com/smallbusiness).

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# Can The IRS Be Fixed?

By James Worsham



PHOTO: T. MICHAEL KEZA

**O**lin Wooten built a trucking company from scratch. In the beginning, it was just one truck, and Wooten himself was the driver, hauling fertilizer between his home base in Hazelhurst, Ga., and Savannah.

His firm grew during three decades until it numbered 350 trucks. With his company expanding, Wooten decided to offload most of the administrative chores by hiring an employee-leasing company. Under the arrangement, Wooten's 350 drivers became employees of an Illinois-based leasing company, and he leased them back. Wooten made one monthly payment to the leasing company to cover salaries, benefits—and payroll taxes.

In 1993, however, an Internal Revenue

*Amid museums and other tourist attractions along the Mall in Washington is the headquarters of one of the most intensely scrutinized federal agencies.*

Service agent audited his company's returns and claimed he had not paid payroll taxes for several years and that he owed \$9 million. Wooten replied that the leasing company had paid the taxes. The agent, however, was not interested in checking out the leasing company, according to Wooten.

Wooten fought the IRS for two years, then sued the agency in U.S. District Court in Brunswick, Ga., in early 1995. By the time the dispute was over, the ini-

tial IRS claim of \$9 million had grown to \$14 million. Last year the suit was settled, and Wooten paid only \$30,000—for some disallowed expenses that weren't even part of the original claim.

"My story has indicated the overbearing, bully approach that is apparent throughout the Internal Revenue Service," Wooten said recently, adding that the agency "made me feel like my own government was my enemy and that my company was their enemy."

## An Outpouring Of Complaints

Experiences like Wooten's—though rare—have fueled intense scrutiny of the IRS in recent months by Congress and the news media. Three days of hearings

*The agency's methods anger and frustrate many taxpayers. Congress and the IRS itself are attempting reforms, but the task is daunting.*



last fall by the Senate Finance Committee produced a litany of taxpayer complaints: overzealous agents trying to reach collection quotas, the presumption that the taxpayer is guilty until proven innocent, confusing tax forms, and difficulties in getting reliable instructions and advice from the agency.

The IRS characterized the dramatic taxpayer claims of abuses brought before the committee as anomalies. But committee Chairman William V. Roth Jr., R-Del., says his office subsequently "has heard from thousands of Americans who said that they had been mistreated at the hands of the IRS."

Now the drive is on—in Congress and at the IRS itself—to make the agency more customer-friendly. IRS-reform legislation has broad bipartisan support and is on track for passage this spring. Meanwhile, the IRS has initiated a number of changes in its operations.

Roth says the goal ought to be to make the IRS "a service-oriented agency instead of a law-enforcement agency."

As welcome as such a change might be, it won't happen quickly, if at all. David Burnham, a former *New York Times* reporter and the author of *A Law Unto Itself: The IRS and the Abuse of Power* (Random House), says any plan to change the agency faces many challenges, chief among them a resistant, entrenched bureaucracy. "It can be fixed, but I don't think it will be easy," says Burnham, who spent several years researching the IRS.

#### A Federal Juggernaut

Whether it's accomplished by executive order, legislation, or both, the process of overhauling the IRS will be watched closely. The agency is one of the federal government's largest employers, with

### IRS Employees On The Carpet

Results Of 586 Disciplinary Actions  
Concluded By The IRS In Fiscal 1996



SOURCE: INTERNAL REVENUE SERVICE

106,000 workers, 90 percent of whom report to district and regional offices far from Washington, D.C.

The IRS collects 97 percent of the money needed to run the federal government; the rest is collected by other agencies in payments such as customs duties and park-usage fees. In 1997, the IRS collected \$1.536 trillion of the \$1.579 trillion raised to run the government.

The agency's job is to make sure that all Americans who owe taxes pay them. If it suspects serious errors in an individual's or a business's return, it can order an audit. If a person or company fails to come to terms with the agency after an audit, the IRS can impose penalties or seize the taxpayer's property and/or bank accounts. In turn, the taxpayer can take the case to U.S. Tax Court—which handles civil disputes—and try to get a hold placed on the seizure of property until the case is settled.

The Tax Court, which is not part of the

IRS, is based in Washington. Its 19 presidentially appointed federal judges travel to 65 U.S. cities to hear cases.

The court receives about 26,500 new cases a year. Of those, about 80 percent are settled before trial, about 5 to 7 percent go to trial, and the rest are dismissed for various reasons. Decisions can be appealed.

Although few Americans go through an audit, and even fewer end up in Tax Court, most Americans are interested in what's happening at the IRS. That's because it's the federal agency that affects more Americans than any other, even if it's only once a year.

But that contact often breeds anger and frustration, as it did—and still does—for trucking-firm owner Wooten. Though he prevailed against the IRS, it cost him four years of legal and administrative haggling.

Wooten's lawyer, David D. Aughtry, of the Atlanta firm Chamberlain, Hrdlicka, White, Williams & Martin, calls Wooten's case unusual. "I know of only a few other cases where the government second-guesses an employee-leasing arrangement," he says. "It's bizarre."

The settlement in Wooten's case is sealed at the federal court in Brunswick, and the parties are barred from commenting on the details. But "no taxes were paid twice," says Aughtry, and Wooten "should feel completely vindicated."

Wooten says he still thinks that the IRS performs a necessary role, and he's willing to pay his share of taxes, but the incident left him with a bad impression of the agency. "You're guilty until proven innocent," he says, "and that's wrong."

Although Wooten's case is over, the case of Earl and Shirley Riley is not. The Rileys run The Nursery Hut, a day-care facility in Washington. They were cited by the IRS for failing to pay payroll taxes, then

## COVER STORY

for missing payments on an installment arrangement.

The couple ran into tax trouble after some financial setbacks. First, business expectations didn't pan out. Then the financially troubled District of Columbia government, which had contracted with The Nursery Hut to take care of some children of parents who were receiving job training, never paid the center all it was owed for the services—and still hasn't.

The result was an \$88,000 payroll-tax debt, which was being paid in \$2,500 monthly installments. Then the Rileys missed some payments after Earl suffered a heart attack and could no longer work a second job to help cover the debt. And hospital bills piled up.

At one point in May 1996, IRS agents went to The Nursery Hut to seize the center's four buses as partial reimbursement for taxes owed. Rather than relinquish their buses, the Rileys scrambled to drain cash from their bank accounts and were able to give the agents \$21,000 that day.

The Rileys have since paid their debt down to \$28,000, but the IRS has refused to resume an installment plan with lower monthly payments. Ironically, the Rileys estimate that the District of Columbia government owes them \$80,000—far more than they owe the IRS.

Now the IRS wants to shut down The Nursery Hut to collect the outstanding balance. Says Shirley Riley: "Closing the business down is not going to do any good. It will just put people out of work."

### Piecemeal Changes

The current wave of interest in reforming the IRS can be traced to 1988, when Congress passed and President Reagan signed the first Taxpayer Bill of Rights. Among other things, it gave consumers a number of procedural and disclosure rights in dealing with the agency, prohibited the use of collection results in evaluating IRS employees, and banned revenue-collection quotas.

The push for reform accelerated, however, after Republicans gained majorities in the House and Senate following the 1994 midterm elections. During that election campaign and since, rhetoric about reforming—even abolishing—the IRS has been plentiful. It has been coupled with various proposals to overhaul and simplify the entire U.S. tax code, which has grown increasingly complicated.

In 1996, Congress passed the second

## The IRS At A Glance

### Profile Of The Agency In Fiscal 1996

**Total Tax Returns Received:** 208.9 million

**Total Revenue Collected:** \$1.49 trillion

**Tax Collected Per Capita:** \$5,586

**Refunds Sent:** 88.3 million

**Total Refunded:** \$131.1 billion

**Average Refund:** \$1,484

**Agency Budget:** \$7.35 billion

**Agency Staff:** 106,351

SOURCE: INTERNAL REVENUE SERVICE

Taxpayer Bill of Rights. That measure raised to \$1 million from \$100,000 the maximum penalty that the agency could be fined in court if an agent recklessly or intentionally disregarded the law in dealing with a taxpayer. It also replaced the Office of IRS Ombudsman with that of Taxpayer Advocate, which reports directly to the agency's commissioner.

Last June, the bipartisan National

Commission on Restructuring the Internal Revenue Service issued its report. The commission had been established by legislation enacted in 1995. Sen. J. Robert Kerrey, D-Neb., and Rep. Rob Portman, R-Ohio, had been elected co-chairmen by the commission after being named to the panel by their respective party leaders. In its report, the commission recommended:

■ An outside board of directors to oversee the IRS. The board would be appointed by the president and would include representatives of private industry.

■ More authority for the commissioner to hire his or her own top people at the agency and to

be able to reorganize the agency by types of taxpayers instead of by district and regional offices.

■ Updating the agency's computer operations, and efforts to get 80 percent of taxpayers to file electronically by 2007.

■ Stronger rights for taxpayers to sue the IRS and receive damages for wrongful actions by the agency. The commission also called for enhanced

## Tax Collecting Through The Years

**1800-1817** — Various taxes are levied on citizens in the growing nation, which had only 20 states by 1817. A position of commissioner of internal revenue is established—and abolished—twice.

**1862** — The office of commissioner of internal revenue is re-established. An income tax is levied to cover Civil War costs.

**1872** — The income tax is abolished. For decades afterward, taxes on liquor and tobacco are the chief sources of revenue.

**1894** — Congress enacts an income tax, and an income-tax division is created. The division is disbanded a year later when the Supreme Court strikes down the income tax, saying it was unconstitutional.

**1913** — The 16th Amendment to the Constitution, permitting an income tax, is ratified. Congress enacts an income tax, and the Bureau of Internal Revenue sets up a division for personal income taxes.

**1919** — The agency takes over enforcement of Prohibition until 1930; "revenuers" seize illegal liquor. Revenue collections from liquor all but disappear.

**1930** — The agency has a new emphasis: investigating tax fraud. The next year, an undercover agent helps gather evidence that sends Al Capone to prison.

**1934** — With Prohibition over, the agency begins administering all tax collection on



Filing taxes in the 1920s.

Al Capone, tax evader.



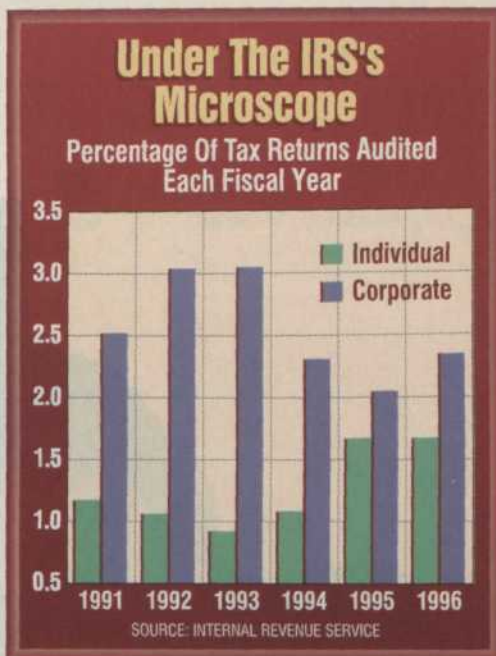
authority for the taxpayer advocates.

Co-chairmen Kerrey and Portman told *Nation's Business* that the IRS commissioner, Charles O. Rossotti, needs more authority to revamp the agency. "The law limits what the commissioner can do, and we need to give the commissioner more power," Kerrey said. "I don't think he can get done what he told the Congress [in hearings] he wants to get done without more authority."

Portman agreed, noting that the commissioner "cannot by statute bring in more people at the top level. ... He needs to be able to promote good people and get rid of the bad apples." Portman added that it would take the commissioner three to five years to change attitudes toward taxpayers among some IRS employees.

The House acted quickly on the commission's report and crafted a bill that reflects its recommendations. The legislation was passed 426-4 last fall.

The Senate Finance Committee unanimously approved its version of IRS reform on March 31, going further than the House to bring about changes at the agency. The Senate bill would strengthen the power of the proposed IRS oversight board, especially in tax-collection matters; would curb the power of the agency to seize taxpayer property; and would sus-



abuses of taxpayers for late April.

### A Change At The Top

As pressure for IRS reform mounted late last year, President Clinton ordered a number of changes at the agency and installed Rossotti as commissioner in November. The job had been vacant since May 1997 after the resignation of Margaret Richardson. Unlike recent IRS commissioners, Rossotti is not a tax lawyer. He's an information-technology expert who founded and ran American Management Systems Inc., a Fairfax, Va., information-technology consulting firm, for 28 years.

"Most people understand they need to pay their taxes. What they're looking for is help in doing it," Rossotti told *Nation's Business*. "What we want to be is an organization that's a problem solver." (See the interview with Rossotti on Page 22.)

"We're going to have a different structure, a different set of management practices, a different way of measuring performance, new technology," said Rossotti, who left the chairmanship of his company to join the IRS. He is trying to get the process of reform started even before Congress acts. Change has already been instituted at the front counter:

**Phone service has been extended** to 16 hours a day, six days a week, up from 10 hours a day, five days a week. Hours of operation for the agency's toll-free help line—1-800-829-1040—are 7 a.m. to 11 p.m. Monday through Saturday.

**Opportunities for taxpayer input are being increased** through Citizen Advocacy Panels being set up in cities across the country. They will monitor customer service and make recommendations. The first is being formed in Fort Lauderdale, Fla. The next three will be in Brooklyn, N.Y.; Milwaukee; and Seattle.

**Problem Solving Days have been established** in all 33 IRS districts so that taxpayers can try to resolve their problems face to face with IRS agents in field offices. There's a Problem Solving Day each month at a location in each district. Call the district office for time and place, or visit the IRS's World Wide Web site at [www.irs.ustreas.gov](http://www.irs.ustreas.gov).

### Hassle And Frustration

Those changes already in place could help eliminate the type of aggravation suffered by many small businesses. A re-

*Continued On Page 23*

now-legal liquor as well as on firearms.

**1937** — The Social Security tax division is created to collect the new Social Security payroll tax.



Processing tax returns.

**1941** — The short-form tax return is adopted.

**1943** — Tax withholding from wages begins.

**1952** — In an agency reorganization, all political jobs below commissioner are abolished. An audit division is created.

**1953** — The name is changed from the Bureau of Internal Revenue to the Internal Revenue Service.

**1961** — The IRS's first computer center opens in Martins-

burg, W.Va. Taxpayers now must use identification numbers, usually Social Security numbers.

**1972** — Regulation of alcohol, tobacco, and firearms is spun off to the new Bureau of Alcohol, Tobacco, and Firearms.

**1977** — Problem-resolution officers are established in district offices to help individual tax-

payers.

**1979** — An office of taxpayer ombudsman is created to take over the problem-resolution program.



Signing the taxpayer bill.

**1988** — Taxpayer Bill of Rights I, curbing IRS powers during audits and investigations, is enacted.

**1996** — Taxpayer Bill of Rights II, replacing the IRS ombudsman with a taxpayer advocate reporting to the commissioner, is enacted.



# love

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## COVER STORY

# A New Chief With A Big Challenge

**C**harles O. Rossotti, who became the 45th commissioner of internal revenue in November, is the founder of American Management Systems Inc., an international business- and information-technology consulting firm in Fairfax, Va. He was the company's chairman before assuming his Internal Revenue Service duties.

In an interview with *Nation's Business*, he talked about the IRS and his plans to make the agency more customer-friendly and better able to resolve taxpayer problems. Here are edited excerpts from that interview:

**Q What is the biggest problem with the IRS?**

**A** The biggest challenge at a general level is trying to turn the agency around to focus on solving the problems of the taxpayers instead of focusing on just its own internal operations. We're trying to make it more of a customer-focused organization.

**Q Legislation in Congress calls for an oversight board. Would it help you or get in your way?**

**A** As it's now coming out of the legislation, I think on the whole it's positive. I think that if the board consists of people with the right kind of experience and they stay with it long enough to learn what the problems are and what the solutions are, then it can help to sustain interest and sustain accountability for those things over a long period.

**Q In the media and on Capitol Hill, we hear people telling their individual "horror stories" about the IRS. How do you react to those?**

**A** I react with horror. I don't want to be in an agency that inflicts harm on people. That's why I took the job. I want to identify these problems and turn the whole thing around.

**Q What are you doing to stop what some people call the abusive treatment of taxpayers?**

**A** We're trying to stop certain things that may have contributed to bad treatment. The most prominent is the use of statistics to measure the [revenue-collecting] performance of districts, for example. We've eliminated that. We need to come up with some measures that look at what we're doing in terms of business performance, but also look at things from a

taxpayer's point of view.

There are some cases of employees who may have acted inappropriately in some ways. What we have done there is we've had a series of investigations going on, and we've set up an independent panel of executives; two are from outside the IRS. They will receive the results of the investigation and determine what disciplinary



PHOTO: T. MICHAEL KEZA

**IRS Commissioner Charles O. Rossotti wants to transform the tax-collection agency.**

action may or may not be required for these employees.

**Q How do you take an agency as large as the IRS and turn it into a more customer-friendly organization?**

**A** Most of the employees here are perfectly willing to change—if you give them the right tools and support and don't tell them on one hand to do this and then on another hand to do that. We can't tell them to go out here and just get revenue any way you can ... then tell them to be customer-friendly. That won't work. We have to give them a consistent message.

**Q How far behind is the IRS in computer technology?**

**A** Regrettably, it's very far behind. I have never seen a large organization that has a more deficient set of technology in relation to what its mission is than the IRS.

We have two major systems that we depend on. The most important system

in the IRS that maintains all the tax records in America was actually built in 1965 by IBM, and it's on a tape file. The other one is a mid-'70s system. And then there are hundreds of other systems. That is not a base on which we can devise first-rate service.

**Q How long will the technology upgrade take? Five years, 10 years?**

**A** Yes. It doesn't mean that we won't see any progress for five years. We're going to be making progress every year, but to really get up to what I would call an acceptable level, it will take more than five, probably less than 10.

**Q Are you having any significant problems with small-business taxpayers?**

**A** Absolutely. Small business is where we have the most trouble. It's a case where, as with any business, when you aren't doing well, it shows up in a lot of different ways. Small businesses are very unhappy with the IRS. And I don't blame them. They can't get the information they need, the forms are complicated and hard to deal with—all those things that you hear.

And yet on the IRS side, that's where we have a lot of compliance problems. We have to have an entire operating division that would be totally dedicated to serving [small business], top to bottom, front to back. And there are a hundred things that you can do.

**Q Why are small businesses such a problem?**

**A** If you look at what a small business has to do to comply, it's much more complex than what the individual wage earner has to do. Small businesses have a lot more trouble because many don't have a full-scale accounting department and all the panoply of resources that a big business has. Yet they've got the same requirements.

**Q Do you think taxpayers can ever think in a positive way about an agency whose job it is to take a good portion of their money?**

**A** Yes, I do. People are very intelligent and perfectly capable of understanding they need to pay their taxes. What they're looking for is help in doing it. I've had people write to me and call me up and say, "Look, I know I have to pay my taxes, but figure out some way to help me deal with this problem I have."

*Continued From Page 19*

cent survey by American Express Co. found that 43 percent of the 300 small-business owners interviewed said their biggest problem with taxes consisted of the time, hassle, and paperwork involved, while 27.5 percent said they objected to paying the taxes.

Consider the experience of C. Virginia Kirkpatrick, president and owner of CVK Personnel Management and Training Specialists, a St. Louis consulting firm. She spent a good part of 1997 in correspondence and phone calls with the IRS over whether she owed more in payroll taxes. Throughout the period she was receiving both tax-due notices and refund checks.

First there was a notice that she owed \$188.13. Then, in a phone call with the IRS, she was told she had overpaid by \$168.30 and should file an amended return, which she did. Then a check for \$168.30 arrived in the mail. Return it uncashed, the IRS said when she inquired about it.

Then two more checks, totaling \$349.61, arrived in the mail. After two hours on the phone with the IRS, she was told to return them, too, uncashed.

Then came a letter saying she owed \$560.87, but an IRS agent told her to ignore the statement.

Within weeks, however, she got a "Final Notice," threatening seizure of paychecks, bank accounts, automobiles, and other property if she didn't pay the original \$188.13, which had grown to \$190.42.

After more discussions with the IRS, she received a notice in December saying her balance was "None."

"In the end, I didn't owe any tax," says Kirkpatrick, "but after nine months of calling, you get the feeling nobody there knows anything or gives a damn." She adds: "I spent a lot more than \$190 of my time on this."

### Envisioning The Future

Commissioner Rossotti wants to make broader reforms within the agency to change the way the IRS is organized and shake it up more than it has been since 1952, when the Truman administration reorganized the agency.

He says he wants to abandon the current IRS structure of regional and district offices in favor of an organization based on particular groups of taxpayers: individuals, large businesses, small businesses, and tax-exempt organizations.

To make the agency more customer-friendly, Rossotti says, he wants to be able to hire more top-level people with

experience outside government.

Rossotti says the agency's business practices need to be changed, with an eye toward helping taxpayers with problems and having the agency act more quickly on taxpayer problems to minimize penalties and interest.

Finally, a major overhaul in technology—Rossotti's specialty—is essential, he says. Most taxpayer records are now kept



PHOTO: ©BOB RANSOM

*Did she pay too much or too little? Personnel consultant C. Virginia Kirkpatrick spent much of a year finding out.*

on mainframe computers from the 1960s and 1970s, he notes. A "technology-modernization blueprint" has been developed to bring the agency's computers up to date and allow them to keep pace with technological improvements. Rossotti expects it will take five to 10 years to fix the computer system, which he says is "the worst I've ever seen."

### A Matter Of Mind-Set?

Despite all the plans for change, the overriding question remains: Can any kind of restructuring of the IRS—any piece of legislation, any internal reorganization—do the trick? Can anything make the IRS—traditionally in an adversarial role with taxpayers—a customer-friendly, helpful government entity?

Author Burnham, an associate professor at the Washington, D.C., campus of New York's Syracuse University, says one of the problems is the mind-set of the IRS bureaucracy. "The IRS has never been able to get the idea that its job is to encourage compliance," he says. That involves making forms clearer and being customer-friendly in answering queries.

Burnham says he expects Rossotti to have a tough time making changes. "He really is an outsider," says Burnham.

Because all of the IRS except the commissioner and the general counsel are career government employees, he says, "the bureaucracy controls the commissioner. He does not have enough staff to assess the bureaucracy."

Many tax practitioners are skeptical that reforms will result in major improvements in the agency's operations. Tax attorney Cheryl Frank, author of *How To Survive an IRS Attack* (Kendall/Hunt Publishing, \$29.95) and head of Frank & Associates, a tax-law firm in Bethesda, Md., says the internal reforms and proposals in Congress are sending false signals. "People have this sense that 'the problem is going away' and that 'they're going to come and help me,' and that's not what's happening at all," she says.

For example, she notes that while there is much publicity over the provision in the House-passed IRS-reform bill to shift the burden of proof to the IRS when a case gets to U.S. Tax Court, the burden still is on the taxpayer during audits.

**H**ow quickly IRS reform will come, how much of it will endure and change the way the agency operates—and whether problems can be fixed—remain to be seen.

There is no IRS scandal or corruption as there was to spur the last agency overhaul, in 1952. But there is broad support in Congress, in the administration, and among groups such as the U.S. Chamber of Commerce for improving the agency's overall management, upgrading its technology, and curbing abuses of citizens facing tax problems—generally, for making the IRS more taxpayer-friendly.

Rossotti is determined to oversee that transformation. The tax-reform legislation, if enacted, would hand him new authority to reorganize the agency, inject new thinking into the upper levels of the bureaucracy, and bring customer-service practices common to successful businesses to one of the government's biggest bureaucracies.

Despite warnings from the skeptics, Rossotti emphatically predicts: "Some years from now, you're going to basically have a whole new IRS." **1B**



To order a reprint of this story, see Page 73. For a fax copy, see Page 50.

# Small Business Financial Adviser

## The Stock Market Roars Ahead

By Randy Myers

Nothing was more dangerous to your financial health in the first quarter of 1998 than to bet against the stock market. On the heels of three consecutive, remarkable years of gains exceeding 20 percent, U.S. stocks actually managed to pick up the pace in the first quarter. The average domestic stock fund earned 11.9 percent for investors, a gain that, if it is duplicated in each of the next three quarters, would produce an advance of 60.8 percent for the year, according to Lipper Analytical Services Inc. in Summit, N.J.

Nobody—nobody—expects that to happen. Then again, nobody expected the market to climb so far in the first quarter either, especially after last year's tough fourth quarter, in which investors worried that financial turmoil in Southeast Asia would trigger a global economic slowdown. Instead, many economists now believe that the U.S. economy is continuing to grow at a fast rate. They estimate that gross domestic product grew at an annualized rate of as much as 3 or 4 percent during the first quarter, after being up 3.7 percent in the fourth quarter of 1997.

"The irony," says Ed Larsen, chief equity officer for the AIM family of mutual funds in Houston, "is that instead of depressing economic activity, Asia has been a stimulus to the consumer sector by contributing to lower interest rates and a collapse in energy prices." (Fears of an Asian meltdown drove interest rates down in the fourth quarter of 1997. Meanwhile, the slump in Asian economies weakened demand for oil in that region, helping to drive global oil prices lower.)

Those factors, combined with continued low inflation and steady if unspectacular growth in corporate profits, have kept the stock market in a state of nirvana. Over the past 12 months, the average stock fund has produced a total return of 42 percent, marking the first time since 1983 that the average 12-month return has exceeded 40 percent.

Funds that invest in telecommunications stocks have been the biggest winners lately. They were up an average of 23 percent in the first quarter of this year and 61 percent over the past 12 months.

International stock funds did even better than their U.S. counterparts, earning an average of 14.7 percent in the first quarter. European funds were especially strong, earning 20 percent.

Both abroad and at home, bond markets were much more benign, with interest rates so low heading into the first

Randy Myers, formerly a writer and editor for Dow Jones & Co., Inc., is a financial writer in Dover, Pa.

### Performance By Mutual Fund Category

With Dividends Reinvested Through March 31

Type Of Fund	1st Quarter	One Year	Five Years*
<b>General Stock Funds</b>			
Capital-appreciation funds	12.10%	38.93%	17.10%
Growth funds	12.83	42.90	18.90
Midsized-company funds	12.05	43.06	17.80
Small-company funds	10.90	43.54	18.51
Micro-company funds	12.31	53.66	16.20
Growth and income funds	11.62	40.15	19.18
S&P 500 Index objective funds	13.77	47.07	21.87
Equity income funds	10.21	38.00	18.21
<b>General Stock Funds Average</b>	<b>11.91</b>	<b>41.98</b>	<b>18.71</b>
<b>Sector Stock Funds</b>			
Health/biotechnology funds	11.69	38.19	23.10
Natural-resources funds	3.48	6.98	12.33
Science and technology funds	16.96	40.37	23.74
Specialty/miscellaneous funds	6.97	31.94	16.84
Utility funds	10.20	39.43	13.39
Financial-services funds	10.32	55.65	25.10
Real-estate funds	0.91	21.38	10.77
Telecommunications funds	23.02	60.96	19.88
<b>Sector Stock Funds Average</b>	<b>8.33</b>	<b>33.44</b>	<b>17.82</b>
<b>International Stock Funds</b>			
Gold-oriented funds	8.35	-31.55	-2.01
Global funds	13.55	27.06	15.46
Global small-company funds	12.76	20.53	15.84
International funds	14.67	19.45	13.45
International small-company funds	17.96	14.40	12.75
European-region funds	20.08	34.05	20.73
Pacific-region funds	1.97	-22.49	1.68
Japanese funds	1.69	-8.77	-3.70
Pacific funds, excluding Japan	4.43	-31.51	-0.28
China-region funds	2.98	-19.05	1.24
Emerging-markets funds	4.96	-6.27	5.84
Latin American funds	0.80	11.94	10.16
Canadian funds	5.64	1.31	6.07
<b>International Stock Funds Average</b>	<b>11.52</b>	<b>10.34</b>	<b>11.76</b>
<b>All Stock Funds Average</b>	<b>11.51</b>	<b>32.65</b>	<b>17.36</b>
<b>Mixed Equity Funds</b>			
Flexible portfolio funds	8.54	28.72	14.03
Global flexible portfolio funds	8.72	20.20	12.16
Balanced funds	7.69	28.13	14.02
Balanced-target maturity funds	5.30	20.06	9.80
Convertible-securities funds	7.47	25.58	12.86
Income funds	5.39	22.22	12.88
<b>Mixed Equity Funds Average</b>	<b>7.76</b>	<b>26.60</b>	<b>13.55</b>
Domestic Long-Term Fixed Income	1.86	10.94	6.53

SOURCE: LIPPER ANALYTICAL SERVICES INC.

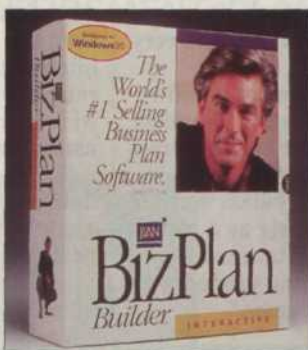
\*Average change for each of the five years

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## SMALL BUSINESS FINANCIAL ADVISER

quarter that there was little room for further improvement. (Bond prices rise when interest rates fall.) According to Lipper Analytical, the average taxable U.S. bond fund earned a total return of 1.86 percent for the quarter.

### A Question Of Corporate Earnings

Wall Street strategists are hard-pressed to figure out what could stop the U.S. stock market's juggernaut, although one often-cited possibility is a slowdown in the growth of corporate earnings. In the final quarter of 1997, earnings reported by U.S. companies fell short of analysts' estimates for the first time in four years, according to Ben Zacks, executive vice president of Zacks Investment Research in Chicago. He says analysts have been paring their quarterly estimates ever since, especially for oil and gas companies and semiconductor makers. They now expect aggregate year-to-year earnings growth of only about 2 percent in the first quarter for the companies in the Standard & Poor's 500-stock index, and they forecast growth of 9 percent for all of 1998, compared with growth of 14.5 percent in 1997.

Of course, investors showed little inclination to worry about slowing corporate-profit growth in the first quarter, just as they ignored the fact that stock prices are extraordinarily high by most conventional measures, such as price-to-earnings ratios and dividend yields.

"We're in one of those modes where earnings valuations just don't seem to matter," Zacks says. "The market is running on everything else—low interest rates, liquidity [money flowing into stocks], and merger-and-acquisition mania. Earnings certainly aren't driving prices."

"Money flow has been a key factor," agrees John Cleland, chief investment strategist for the Security Benefit Group of Companies, a Topeka, Kan., financial-services firm that manages \$8 billion worth of mutual funds and variable annuities. "A changed savings dynamic is at work in this country. More and more people are focusing on 401(k) plans and other long-term investment strategies, and their money is going into [financial assets] every month, much of it through payroll deductions and much of it earmarked for stocks. That money flow dwarfs the negatives of earnings concerns and valuation levels, and I think it is likely to continue."

To be sure, all of those retirement savers could be persuaded to rethink their love affair with stocks if either of two things happens: the economy turns down sufficiently to send corporate profitability into a real nose dive (if Asia's problems worsen, for example), or the economy overheats so much that the Federal

Reserve Board feels compelled to raise interest rates in a bid to head off inflation.

### The Inflation Factor

Most market gurus don't expect either scenario to happen, especially with inflation hovering consistently in the 2 percent range despite a strong economy and very low unemployment levels.

"A low-inflation environment is self-reinforcing," says Joseph Keating, president and chief investment officer of Lyon Street Asset Management Co. in Grand Rapids, Mich., a firm managing \$8 billion worth of assets. "By removing pricing as a means to raise corporate profits, businesses are forced to focus on achieving productivity gains to achieve earnings gains."

Keating cites several other factors that are conspiring to keep companies focused on enhancing productivity, which precludes the need to raise prices and so keeps a lid on inflation. They include the march toward global free trade since the end of the Cold War, fostering competition; the strength of the U.S. dollar, inhibiting the ability of U.S. companies to raise the prices of their goods in worldwide markets; and, more recently, the financial crisis in Southeast Asia.

"I look at these things and say that inflation should remain low and could fall even further given the whiff of deflation that's in the air," Keating says. "This leaves financial assets as the magnet for future savings."

### Small-Company Prospects

AIM's Larsen sees attractive opportunities in small-company stocks, which he says are cheap relative to their large-company counterparts and their historical valuation levels. In addition, he notes that analysts expect earnings of small-company stocks to be up about 12 percent this year, outpacing bigger companies.

Although funds that specialize in small-company stocks lagged the average domestic stock fund slightly in the first quarter, they have outperformed the average domestic stock fund over the past 12 months, with an average gain of 43.5 percent, according to Lipper Analytical. Stock funds that invest in the very smallest companies—so-called micro-cap funds—did even better, earning 53.7 percent over the past 12 months.

In addition to small-company stocks, investors eager to diversify their portfolios can still look to international markets, Keating adds. Europe is especially attractive, in his view, given that many companies there are just now embracing the fierce commitment to enhancing shareholder value that U.S. managers took to heart a decade ago.

Bonds look attractive principally to those investors who are afraid that the stock market is overdue for a correction. With long-term interest rates about as low as they've been in 20 years, there's little room for price appreciation in most sectors of the bond market. In fact, investors can earn almost as much interest on cash equivalents such as money-market funds as they can on long-term government bonds right now.

All of which brings most investors back to the stock market. Barring some dramatic turn of events, they're not likely to be disappointed. **16**

## Stock Performance In The First Quarter

Industry Group	Change In Value Jan. 1 To March 31
Internet	40.5 %
Computer software and services	25.8
Retail	20.1
Conglomerates	19.3
Telecommunications	19.3
Nasdaq Index	16.9
S&P Industrial Index	14.3
Specialty retail	14.3
Diversified services	13.8
Drugs	13.7
S&P 500 Index	13.5
Materials and construction	12.7
Wholesale	12.7
Manufacturing	12.6
Media General Stock Index	12.2
Media	12.1
NYSE Index	12.0
Health services	11.9
Consumer nondurables	11.6
Automotive	11.3
Dow Jones Industrial Average	11.3
Insurance	11.2
Electronics	11.1
Food and beverage	11.0
Financial services	10.6
Chemicals	10.3
Banking	10.1
Computer hardware	10.0
Transportation	9.8
Aerospace/defense	9.5
Consumer durables	9.4
Metals and mining	9.3
AMEX Index	8.3
Utilities	6.1
Real estate	4.9
Energy	4.7
Leisure	2.0
Tobacco	-5.0

SOURCE: MEDIA GENERAL FINANCIAL SERVICES

Small Business Financial Adviser continues on Page 28.



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## INSURANCE

# Covering Your Company Against Disability

By Abby Livingston

**D**an VanderPloeg and Jerry Lanning, co-owners of VanderPloeg & Lanning Heating & Cooling Inc. in Grand Rapids, Mich., are best friends, and they want to stay that way. That's why they recently amended their buy-sell agreement to specify that if one of them becomes totally disabled, the healthy partner will buy the other's interest in the business for \$500,000 after 24 months. To make sure that the money would be available, they purchased a disability buyout insurance policy for the company.

"The policy has a dual purpose," says Lanning. "It protects the healthy partner by enabling him to buy out the disabled partner and keep the business going. And it helps the disabled partner by providing him with an income," i.e. the policy's face value paid out as a lump sum or over a period of years.

Disability buyout insurance is different from individual or group disability coverage. The latter provides monthly replacement income to an insured individual. Disability buyout insurance, on the other hand, pays the company or the nondisabled owners the money needed to acquire a disabled partner's share of the business at a predetermined price when the disability meets the policy's criteria for severity and duration. Most disability buyout policies don't pay unless a partner is totally disabled and has been unable to work for at least 12 months.

Disability buyout insurance is not for all businesses, of course. It may be hard to obtain, for example, for firms with a dilution of ownership among top managers and for family-owned businesses run by a team of parent and child or husband and wife. Indeed, buyout insurance would seem unnecessary for a business that most likely would remain in the family.

When ownership is concentrated in two to five partners, however, disability buyout insurance can come in handy. Suppose, for example, that a partner becomes disabled and can't work but won't

admit to being disabled. The partner remains on the payroll but contributes little to bringing in business.

Such a scenario could lead to nasty disputes if the healthy owner or owners need a productive partner to help keep the business going. Financial trouble may not be far behind. If the healthy partners can't afford to pay the disabled partner and expand the business, the banks could recall loans or cut back on credit. Buyout insur-

instead of having to strip capital from a growing business to make the purchase.

"Of all business insurance, buyout insurance is the most important," says Mark Lilliedahl, sales manager in New York for individual disability insurance offered by Provident Companies, based in Chattanooga, Tenn. "Yet it is undersold. People don't know about it."

"If you take a poll of partnerships or closely held corporations, 98 percent will have a buy/sell agreement funded with life insurance. Yet someone failed to ask, 'What happens if a partner becomes disabled?'"

Industry statistics suggest that this is a question worth asking. In a partnership of two 45-year-olds, there is a 75 percent chance that one person will become disabled for some period of time before age 65, according to the National Association of Insurance Commissioners. And that's several times greater than the possibility of death.

But only 17 percent of companies with fewer than 100 employees have disability coverage on a partner or a key employee, according to LIMRA International of Farmington, Conn., a trade association for insurance companies. (See "Two Types Of Coverage," on Page 30, for information on other types of business disability coverage.)

"If people understood how this insurance benefits their company directly, there would be more interest," says John Badovinac, director of disability sales for M Financial Group, a Portland, Ore., insurance provider.

Following are some pointers to remember when shopping for a disability buyout insurance policy:

**Buy as much insurance as you can afford.** The theory is that it's better to pay a premium—that is, a fixed budget expense—than to be hit with an unexpected and unfunded liability if a partner becomes disabled.

Insurance carriers have their own guidelines, but generally they'll insure each shareholder's interest up to \$1.5



PHOTO: ©LISA DEJONG

**Best friends** and co-owners of a heating business, Dan VanderPloeg, left, and Jerry Lanning have insurance that will provide funds for the buyout of either partner if that person becomes totally disabled.

ance would allow the partners to cover the costs of the disabled partner's ownership share.

If the firm has a buy/sell agreement but it doesn't define disability clearly, the business could be in a mess. A disability buyout insurance policy contains such a definition, however, and it makes the insurance company responsible for determining if a disability meets the policy's definition. What's more, the healthy partners are guaranteed the cash to fund the buyout—

**UNITED PARCEL SERVICE OF AMERICA INC.**  
**Rates for Domestic Services**  
**To Increase in February**

United Parcel Service of America Inc. said it will raise rates for most domestic services beginning in February. The rate increase for the Atlanta shipping company will include a 3.3% jump for most domestic air-express services and an average increase of 3.6% for standard ground-commerce shipments in the U.S. and Puerto Rico. UPS said ground service to residential addresses also will cost about \$1 more than the new commercial-ground rates. Rates for international services will remain the same, the company said. The rate increase continues the company's tradition of boosting rates each year and is in keeping with UPS's previously announced intention not to lower rates to win back market share lost due to a crippling Teamsters strike this year.

As appeared in The Wall Street Journal 12/31/97

**FEDERAL EXPRESS CORP.**  
**Rate Increase of 3% to 4%**  
**Matches UPS Price Jump**

Federal Express Corp., matching a price increase by archrival United Parcel Service of America Inc., said it will raise rates for domestic deliveries by 3% to 4% beginning in February. International rates for the express-delivery concern will be unchanged, the Memphis, Tenn., company said. Closely held UPS, Atlanta, previously announced it would raise domestic rates by more than 3% in February. Separately, FedEx said it is introducing a new guaranteed five-day delivery product for overseas-freight shipments weighing more than 150 pounds. The service, which will cost about 30% less than the company's premium two-day international deliveries, will be available for deliveries between the U.S. and major markets in 13 countries in Europe, Asia and Latin America.

As appeared in The Wall Street Journal 1/7/98

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## SMALL BUSINESS FINANCIAL ADVISER

million. When valuing a business, insurers look at some combination of the owners' net worth and income as well as the firm's billings and sales. That means the insurance applicants have to supply three years' worth of personal and business tax returns.

Disability buyout premiums are not tax-deductible, although the insurance benefits are tax-free.

**Make sure the terms of your buyout insurance policy mirror those of the company's buy/sell agreement.**

For example, if your buy/sell agreement stipulates that the selling shareholder will be paid off in monthly installments, your disability buyout insurance policy should stipulate the same for the disabled partner.

You generally can choose monthly installments paid for two to five years, or a lump-sum payout, or a combination of the two.

An advantage of the installment method is that the premiums are lower. Consider the example of three 40-year-old partners insured at \$1 million apiece, with a monthly benefit beginning 24 months after

the onset of the disability and spread over 60 months. Each would pay an annual premium of \$2,387, says Peter Krahn, a disability sales consultant in Troy, Mich., for Unum Life Insurance Company of America. If the partners wanted lump-sum payments, their premium would be 40 percent higher, he says.

**I**t's best to purchase buyout insurance when you're young and healthy. Buyout policies are medically underwritten, which means that the insured has to qualify medically through a blood test and urinalysis and by submitting physicians' records. Generally, these policies are available to business owners until age 60.

Some carriers scale back benefit amounts at age 60 by 20 percent a year, while others delay that reduction for an additional price, because people are stay-

**"The most expensive policy is one with [only] a 12-month waiting period."**

—Peter Krahn,  
Unum Life

ing on the job longer. But the older you are—and therefore the higher the likelihood that you have a pre-existing medical condition—the more expensive and difficult these policies are to obtain.

In addition to age, health, and payout options, a factor affecting the price of premiums is the waiting period before benefits begin. This generally is 12, 18, or 24 months. "The most expensive policy is one with a 12-month waiting period," says

Unum's Krahn. "You want to make sure that the person is totally disabled and no longer able to come back before you're able to buy him or her out."

In other words, a disability buyout policy is designed to protect your partnership, not to be used as a tool to force your partner out of the business. **IB**

*Abby Livingston is a free-lance writer in Scarsdale, N.Y.*

## Two Types Of Coverage

Disabling accidents happen. Just ask David Lubarsky, a professional photographer in New York City. He was knocked off his bike by a car last year and broke his collarbone. Lubarsky knew immediately that he would be unable to work for a while.

As the owner of David Lubarsky Photography, though, he had purchased business overhead expense insurance from Massachusetts Mutual Life Insurance Co., known as MassMutual—The Blue Chip Company. The policy covers his studio's bills while he is disabled and out of work.

Just as luckily, Lubarsky recovered in three weeks and didn't have to make a claim on his insurance policy, which kicks in after 30 days. Still, he says, "I'm glad I have it. My personal disability policy isn't going to pay my studio's overhead expenses and keep the business going while I'm temporarily disabled."

You, too, can buy time for recovery from an accident or illness by purchasing business disability insurance designed to replace lost income in special circumstances. Here are two types to consider:

### Business Overhead Expense Protection

This is primarily for owner-employees of small partnerships, closely held companies, and professional practices.

Business overhead expense policies cover various fixed expenses, such as rent, utilities, employees' salaries, general office expenses, and even malpractice insurance for up to two years while the owner/employee recuperates.

The waiting period is relatively short—30, 60, or 90 days. "This insurance keeps the business up and running while the owner is disabled and allows him or her to decide whether to come back or make arrangements for the orderly transition of the business," says Gregory K. Large, an agent with Cowan Financial Group in New York City.

Most insurers will cover up to \$25,000 a month in expenses. But first they'll want to see CPA-prepared profit-and-loss statements. Depending on how much coverage you want, you might have to undergo a physical exam. Then the cost of the premium will depend upon your age plus the chosen waiting period.

For example, a 45-year-old business owner covering \$10,000 in monthly expenses for one year, with a 30-day waiting period, will pay an annual premium of about \$2,000. Premiums, which are paid by the company, are tax-deductible. Payouts, although taxable, are used for deductible expenses.

### Key-Person Disability Insurance

This type of policy reimburses a company for lost revenue as a result of the disability of a key employee—such as a top-producing salesperson.

"Let's say you have a salesperson bringing in \$5,000 a month and now he or she is out," says Peter Krahn, a disability sales consultant in Troy, Mich., for the Unum Life Insurance Company of America. "This coverage would provide a steady flow of income and buy you a year in which you could find and train someone else if the employee proved to be totally disabled."

You can replace up to 125 percent of an employee's monthly salary for 12 to 18 months, starting after 30, 60, or 90 days. Many carriers offer a personnel-replacement option that provides an additional \$75,000 that can be used to recruit and relocate an interim replacement to keep the business going.

As for price, let's say you have a 45-year-old, top-producing sales rep earning \$100,000. A key-person policy that insures 125 percent of his or her salary payable after 30 days for 12 months would cost about \$1,900 a year, says John Badovinac, director of disability sales for the M Financial Group in Portland, Ore.

Premiums, which are paid by the company, are not tax-deductible, but benefits are tax-free.

## MANAGING

# Managing Workers In Times Of Change

By Michael Barrier

Sometimes a small-business owner initiates a major change. Other times change imposes itself from outside the company. No matter what forces propel company evolution, managers must work effectively with employees to ensure that the process goes smoothly.

At Easy Picker Golf Products, Inc., in Costa Mesa, Calif., a 40-employee manufacturer of products for driving ranges, owner George Hedlund discovered that the cost of relocating to a new building in California would be "very similar" to the cost of moving cross-country to Florida. That state offered the prospect of lower costs and a more congenial business climate, but beyond that, Hedlund liked Florida so much that he planned to retire there one day. He decided to make the longer move even though it meant greater change.

Change arrived in a very different way in early 1997 at Midwest Contract Furnishings, Inc., then a 20-employee firm headquartered in Maitland, Fla. The company's biggest customer, Cleveland-based Renaissance Hotels International, was sold to Marriott International, headquartered near Washington, D.C.

Midwest, which designs and furnishes hotel interiors, had been in business only since 1992, but it had landed a showcase project in Orlando, Fla., that had brought it to the attention of Renaissance in 1994. For two years, Midwest had worked on Renaissance hotels throughout the country. But Marriott did a lot of that kind of work in-house, and it was unlikely to need Midwest's services.

Midwest owner Christopher G. Cogan had to reshape his company immediately to make up for the imminent loss of at least 80 percent of its revenues.

However change arrives, employees are



PHOTO: SEEN VAN HOOK

**Embracing change** can help a company stay on its feet, says Christopher Cogan of Florida-based Midwest Contract Furnishings.

likely to see it as more of a threat than an opportunity, says Rick Maurer, an Arlington, Va., consultant and the author of *Beyond the Wall of Resistance: Unconventional Strategies That Build Support for Change* (Bard Books, \$24.95). Maurer recalls a meeting with 19 managers from a 200-employee company where only one of the 19 saw a potential change as a positive development.

"Most resistance to change arises because people don't understand its meaning to them," says Howard H. Stevenson, a Harvard Business School professor and the author of *Do Lunch or Be Lunch: The Power of Predictability in Creating Your Future* (Harvard Business School Press, \$24.95). "If you don't explain how the change is going to help them, or how they can take advantage of it," he says, they're going to resist.

A business owner may be tempted to steamroller such resistance by taking what Frank Carillo, president of Executive Communications, an Englewood, N.J., consulting firm, calls "the brutal approach." In essence, you tell employees to accept the change or lose their jobs. With this approach, he says, "people automatically feel victimized."

The more effective approach, Stevenson

*When your company goes through a major upheaval, success can ride on how well your employees adapt to the change.*

suggests, is to restore the predictability that change seems to destroy: "Leaders, in a period of turmoil, are the people who can say, 'Do this, and these are the results you'll get.'"

Here are some ways in which such leadership can be exercised:

**Communicate both fully and constantly.** Sometimes, a clear explanation for a change is what's most needed. Jim Hamilton, vice president of operations for Lorenz & Associates, a Baltimore consulting firm, cites the changes in federal

law last year that tightened Medicare's rules on reimbursements for home-health-care agencies. The rules require higher productivity in the form of more patient visits each day, thus shortening the visits, and there has been "tremendous resistance" among employees—"caregivers, very caring individuals," Hamilton says.

Because the changes have been federally imposed and are outside the agencies' control, "educating [the employees] is very important," he says. "Otherwise you have resentment" against the employer for what appears to be a lack of concern about the patients.

Midwest's crisis was "a time when communicating was most difficult for me," Cogan says. "I was devastated. I wanted to crawl under a rock and not show up for work for a couple of months." He had focused the company's efforts on serving the Renaissance account to the point of not seeking work from other large accounts. And then everything had blown up in his face.

After breaking the bad news about Renaissance to his staff, Cogan spent a couple of hours describing a new direction for the business. He had worked with a couple of employees for more than two years to research and develop an Internet-based

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## MANAGING

"mail" concept. It would be an online source where hotels could find products and where vendors could find customers.

Cogan wasn't just offering general reassurance. He was communicating his plan in detail to his employees. He knew, he says, "that I could show no fear and have no hesitation when I did this."

Communicating firmly and decisively doesn't preclude acknowledging uncertainty, however. Says Stevenson: "How many managers feel that to be a leader you've got to act as if you know everything? And yet the employees are not stupid. Acknowledging uncertainty says to people, 'I understand how complicated this world is. I need your help to succeed; and if we work together, we will succeed.'"

### Deal with what's really bothering your employees.

The small-business owner is more likely to know employees personally, Maurer points out, "and that can really work in your favor. If you have any credibility at all, it's more likely that you'll get the kind of open resistance that you can work with." That is to say, your employees will let you know what really troubles them about an oncoming change.

Employees' resistance may arise from various causes—concern that they will have to master skills that they will find too difficult, for example. But whatever the cause, "you have to engage with the employee at that emotional level," Maurer says.

One likely source of such emotional resistance is fear that jobs will be in jeopardy. Midwest's employees reacted, Cogan says, "perhaps with initial fear" of losing their jobs, particularly since the company had brought on new employees specifically for large Renaissance projects.

"Even though it was going to cost me to keep everyone," he says, "I felt that the minute I let somebody go, I was going to lose the ability to raise their motivation to the level I knew it was going to take" for the company to emerge from its crisis.

Cogan also knew that sudden resignations among Midwest's small, highly trained staff would have crippled his efforts to keep the business going.

In Easy Picker's case, many of Hedlund's employees had worked for him for many years. He couldn't simply replace their experience by hiring new people in Florida, so he had to persuade as many employees as possible to make the move with him—with Hedlund picking up virtually the entire tab for the workers and their families.

Hedlund recalls that although his employees were enthusiastic about a move at first, doubts soon began to set in. Employees' commitments to move started to evaporate. But he also recognized the source of his employees' unease: He was asking them, and especially their families, to move 2,500

miles into a totally new environment. The mostly male work force shared a certain camaraderie, says Sonny Vale, Easy Picker's vice president, "but the wives were leaving their support systems back in California."

Hedlund responded by providing detailed information about Florida. "We had several meetings where the wives came in with their questions," he says. Then he brought the employees who were willing to move—

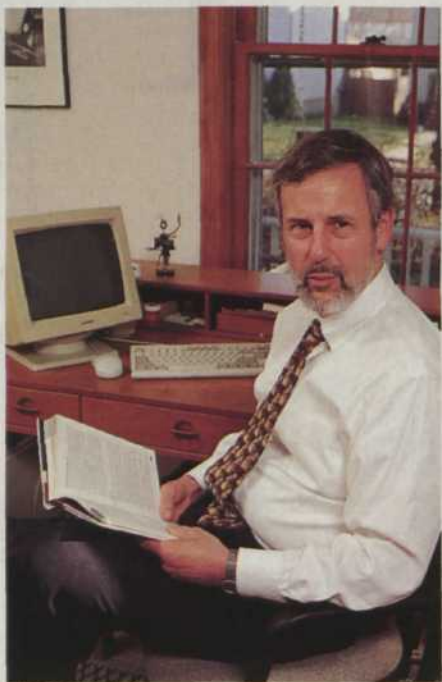


PHOTO: T. MICHAEL KEZA

**Employees are likely to see change as a threat, says author Rick Maurer.**

and their spouses—to Florida in January 1997 for groundbreaking ceremonies for the new plant. The visit "dispelled a lot of fears," he says. "They were able to go through a supermarket and actually see prices." The employees got a lot of information, too, from the local chamber of commerce and local government officials.

The employees spent a week in Florida while real-estate agents showed them homes. In general, they were much lower in price than homes in California, where many employees couldn't afford to buy. When Easy Picker moved to Lehigh, Fla., in May 1997, 22 employees—half the work force—and their families made the move, too.

### Build trust before change arrives.

"If you want less resistance," Maurer says, "start way before the change."

At Easy Picker, Vale says, trust had grown over the years. "If George tells you something, you can put it in the bank." So employees didn't suspect Hedlund of having a hidden agenda in making the move.

When employees hide their real reasons

for resisting change, Maurer says, "they probably don't trust what you'll do with the information." You may make a wonderful case for change and the benefits it will bring, but "if the trust is not there," he says, "it won't be repaired in one meeting."

Employees who mistrust their boss may respond with what Maurer calls "malicious compliance": They don't do what's required to make the change succeed but instead do just enough to keep the boss off their backs.

**Encourage a culture of change.** Cultivating constant change on a small scale can prepare employees for larger changes. "It's like asking someone to run a race, and they've never done it before, versus the person who jogs every day," says New Jersey consultant Carillo.

At Midwest, one such exercise involved its marketing literature, expensive pieces aimed at high-end hotel chains. Another involved its telecommunications costs. In both categories, in-house teams found ways to cut costs dramatically—more than 70 percent for telecommunications, for example.

On a smaller scale, at least once a year "we move and rearrange the offices," Cogan says. That way everyone—including him—winds up in a new place. This annual reshuffling has gone on for several years.

In the early '90s, Cogan was involved in a small start-up software company that he had to close "to stop the bleeding" because he couldn't raise the money to keep it going. Just two days after he shut down, a big order came through that—if it had arrived sooner—would have saved the company.

Looking back at that experience, Cogan says, he asked himself: "What are some of the things that I could have done that could have gotten me another month or two months, or whatever it would have taken? If you operate like that all the time, instead of just when you know you've only got 30 days left, that makes you, in my mind, a much sharper company."

Midwest's revenues last year were about \$2.7 million, down sharply from the \$12 million Cogan expected before the Renaissance sale. But Hotel Co-op on the Internet is up and running with what Cogan describes as a strong industry response—2,900 vendors have signed up.

And Midwest has even won two projects for Marriott, as well as other large commissions. The number of employees is up to 30, and Cogan expects revenues in 1998 to be about \$10 million.

In today's economy, Cogan believes, "there are companies that are poorly managed that are doing very, very well." But let the economy slow down, he says, "and you will see the difference between a company prepared for change and practiced in the art of change, and one that isn't." **NB**



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# Can-Do Attitudes And The Disabled

By Sharon Nelton

**Y**ou know how hard it is to run a business under even the best of circumstances.

Consider, however, Elin Ohlsson. The St. Paul, Minn., entrepreneur must use an electric scooter to travel distances of more than 20 feet. She must have help in the morning to make her bed, get breakfast, and otherwise ready herself for the day.

Severe juvenile rheumatoid arthritis, which began when she was 4, interfered with Ohlsson's growth, including the development of joints, and it left her with osteoporosis.

After 16 operations—she has artificial hips, knees, finger joints, and more—Ohlsson stopped counting surgeries.

Yet Ohlsson, 43, runs her own business, Care Planners, which provides personal care to people with disabilities. The company has 65 full- and part-time employees and annual revenues of \$600,000.

Or consider Roger Rowse, who owns an accounting firm, Roger Rowse & Associates, Inc., in Rockville, Md. Rowse, 34, is a quadriplegic. He suffered a spinal-cord injury in a backyard swimming pool accident in August 1981, when he was 17. But he finished high school and graduated with his class the following spring.

Rowse went on to college, earning an undergraduate degree in information-systems management in 1988. He started his business the following year and became a certified public accountant a year later. By 1995 he had earned a master of science degree in taxation from American University in Washington, D.C.

Then there's Janet "Jan" Madori, 48, owner of Personal Preference, Inc., a company that direct-markets art and is based in Bolingbrook, Ill. You wouldn't know it to look at her, but Madori also has a disability. She suffers from severe narcolepsy, a sleep disorder.



PHOTO: GUSTAVE WOLT

**Starting her own business, which provides care for people with disabilities, was how Elin Ohlsson "quit settling for what the nondisabled culture" was offering.**

Narcoleptics are deprived of normal rest, and at any time they can seem to pass out.

Although Madori's episodes are brief—three to seven minutes—she experiences periods of extreme disorientation as well; they can last for hours.

She has been narcoleptic since childhood, but the condition was not diagnosed until she was 28, when she fell from a horse and suffered a blow to the head that made her symptoms worse. Madori says she has "gone out" at home, in airports, and even while skiing.

During these incidents, Madori says, her body "shuts down" so fully that nothing can wake her—those around her sometimes have thought she was dying. "I've had my chest pounded plenty of times," she says with a laugh.

Despite her narcolepsy, Madori runs a \$20 million company, with 112 employees at corporate headquarters and 1,500 independent contractors who work as art consultants, selling primarily through gatherings in customers' homes.

*Determination and a refusal to play the victim are qualities that help people with disabilities succeed as entrepreneurs.*

## A Vast Talent Pool

No one knows for certain how many of the 49 million Americans with disabilities are entrepreneurs. However, a U.S. Census Bureau study conducted three years ago reported that 1.7 million of the 9.4 million sole proprietors in the United States indicated they had some sort of disability or limitation. Of those, says Jack McNeil, special assistant for disability statistics at the bureau, 323,000 were identified as having a "severe disability."

Ohlsson says more people with disabilities should become entrepreneurs. People with disabilities "have to quit settling for what the nondisabled culture around us is offering us. We really have to stop that," says Ohlsson, who has a law degree.

A way to stop settling for the status quo, she says, is to start a business, which she did in 1994 when she realized that the health-care company where she was working would never promote her beyond a \$25,000-a-year job.

With such disabilities, how do these entrepreneurs run a business—an endeavor

## ENTERPRISE

that tests and tries even the healthiest of people?

They say that they learn to compensate and that they get support from staff members and others. What shines through in these entrepreneurs' stories is extraordinary determination and a refusal to play the victim.

Ohlsson does a lot of her work by telephone. She has an assistant who helps her at home in the morning, and she also depends on an employee at the business "to do some small things that I can't do that I know would irritate somebody else." He might plug in her scooter to recharge it, make coffee, clear the clutter on Ohlsson's desk, or accompany her to do shopping for the office.

### Unforeseen Barriers

Accountant Rowse began to push himself toward entrepreneurship when, as a college undergraduate, he began interviewing for jobs. People have preconceived notions about a wheelchair, he says, and he believed that job recruiters "were interviewing me, but they weren't really interviewing me. I felt like I didn't have a chance of getting a position."

He says that because he can't drive, his biggest hindrance as an entrepreneur is having to line up drivers for his van. He also needs a full-time care provider, a responsibility handled by his brother Thomas, who lives with him. Thomas works in the five-employee firm, as does their mother, Cris.

Art entrepreneur Madori, who never went to college because her narcolepsy made studying difficult, says one of the ways she compensates is by getting everything done today because tomorrow might be a "bad day"—when she's disoriented and can't concentrate. "You don't procrastinate when you have narcolepsy," she says.

She is open with her staff about her condition, and key employees are ready to help or fill in for her if needed. "I've got so many really loving people in my company," she says. If she has to give an out-of-town presentation, she prepares an agenda and documents everything in case a regional manager or other key staffer has to take over.

"I'm still a functioning workaholic," she says with a laugh. "Sixty to 80 hours is a normal workweek for me. I think 40 hours is part time."

Madori believes that her success is partly a result of her disability. "I think my



PHOTO: GORDON ZICH

**Despite a severe sleep disorder that can leave her disoriented or even make her seem to pass out, Janet "Jan" Madori runs a \$20 million company that direct-markets art.**

disability made me just try harder than most," she says. "I worked beyond it."

People with disabilities often compensate by putting in more effort, she says. Unlike people who can take their health for granted, she explains, a person with a disability "doesn't really believe they have another day" to do what they want to do.

Following are some tips for disabled people on taking an entrepreneurial path:

## Web Resources

Following are two of the several World Wide Web sites that offer a wealth of information about people with disabilities:

[www.pcep.gov](http://www.pcep.gov) is the site of the President's Committee on Employment of People with Disabilities. The site offers key facts about people with disabilities, help on communicating with and about them, information on the Americans with Disabilities Act, a directory of state agencies on disability, and other information.

[www.web-link.com/dba/dba.htm](http://www.web-link.com/dba/dba.htm) is the site of the Disabled Businesspersons Association. The organization, based in San Diego, aims to "help disabled entrepreneurs and professionals maximize their potential in the business world."

**Get business guidance if you need it.** If you're just starting out, contact the Service Corps of Retired Executives (SCORE) Association, advises Rowse. Sponsored by the U.S. Small Business Administration, it provides free counseling services to inexperienced business owners and is, says Rowse, "a fantastic starting point."

To locate the office nearest you, call the national SCORE headquarters at 1-800-634-0245 or visit [www.score.org](http://www.score.org) on the World Wide Web.

Also, check with local and state economic-development offices. Rowse says the department of economic development in his county has been particularly helpful to him.

**Prepare yourself.** The Community Loan Fund of Southwestern Pennsylvania in Pittsburgh lent more than \$18,000 to a visually impaired entrepreneur last year to start a retail store. Says the fund's executive director, Mark Peterson, "He had experience in the field, he had some of his own money to put in, and he had a good business plan."

**Be positive.** "It just really helps when we're dealing with other people," says Ohlsson. "We need to understand that we're ambassadors for all disabled people, whether we like it or not."

She says she has gotten past being

stared at because it has happened most of her life. And she's not going to "waste negative energy on it" when she gets out her company checkbook to write a check, only to be asked for more identification than she believes a nondisabled person would be asked for.

Being positive, she says, makes things "go better for ourselves and for others. I really think it's important that when we're dealing with others, especially nondisabled people, we come across as pleasant and willing to work with them and accept or turn away help graciously."

**O**ne thing that keeps Rowse going is the interaction he has with clients, many of whom, like himself, are small-business owners. "Their success is my success," he says.

Certainly, in a typical workday, Rowse encounters frustrations—such as finding non-handicapped drivers' cars in parking spaces for the handicapped. "Little things like that make it very difficult to achieve my goals," he says. "It would be easy to give up, but that's not going to happen."

If there's a last word from entrepreneurs with disabilities, it would be the advice from Rowse: "Don't let the small stuff get you down."

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## Looking Beyond A Disability

If you own or manage a company but have never done business with an entrepreneur who has a disability, what are you waiting for?

Here is how entrepreneurs with disabilities—and some of the people who work with them—suggest you treat them:

**Don't prejudice.** A truly successful person is measured by how he or she handles a downturn, suggests Janet Madori, owner of Personal Preference, Inc., an art-sales company in Bolingbrook, Ill.

"A disabled person actually has already had a downturn, and if they've gotten to the level of being entrepreneurs and they have the guts to start their own business, then you probably have got a far more determined person than any person who doesn't suffer from a disability," she says.

**Remember that entrepreneurs with disabilities have money to spend with you, too.** Elin Ohlsson, founder of Care Planners, a St. Paul, Minn., company that provides personal care to people with disabilities, recounts being ignored by sales-

people in an office-supply store, as though she were invisible.

"I have to buy pens. I have to buy paper. I have to buy cartridges for my copier. And I'll go to someplace that treats me right," she says.

**Treat disabled entrepreneurs like you treat other entrepreneurs.** Mark Peterson, executive director of the Community Loan Fund of Southwestern Pennsylvania in Pittsburgh, says that vendors, bankers, and business owners should look beyond an entrepreneur's disability.

"Look at the business's and management's strengths and evaluate them using the same standards you would with any other transaction," he says. Adds Ohlsson: "Focus on abilities, not inabilities."

Roger Rowse, owner of accounting firm Roger Rowse & Associates, Inc., in Rockville, Md., sums up: "Know that [entrepreneurs with disabilities] are just like anyone else. Give them a chance and they'll prove that they are competent and able to provide the services that you require."

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## FINANCE

# Financing For Do-It-Yourselfers

By Roberta Reynes

**A**t first glance, SCOR financing sounds like an entrepreneur's dream: A do-it-yourself public offering that lets you raise up to \$1 million in equity capital annually. The registration form, called a U-7, was designed to be filled out by business owners rather than cadres of securities lawyers.

You can advertise for investors yourself via newspaper ads, direct mail, or the Internet. Business owners who have done a SCOR—a Small Company Offering Registration—say that the marketing effort involved can boost sales dramatically.

What's more, the cash you raise is permanent capital, unlike debt, which must be paid back. And industry consultants say there are fewer restrictions on the founder's ability to operate the business than there are with venture capital, which requires that you share decision making with the new owner, or with borrowed money, which may call for meeting requirements imposed by a lender.

The SCOR was devised by the North American Securities Administrators Association (NASAA) and the American Bar Association to encourage small-business owners to take advantage of the U.S. Securities and Exchange Commission's Rule 504. The rule permits the sale of securities worth up to \$1 million in a 12-month period without subjecting a business to SEC reporting requirements. (For more on other types of 504 offerings, see "Easier Avenues To Equity Capital," January.)

Despite the many advantages, little or nothing about a SCOR is simple. Although the 50-question U-7 form is the same in all states that permit SCOR financing, SCORs are administered solely through state securities commissions, and laws vary from state to state. States adopted the program

*This story is part of a continuing series on ways for small companies to locate the financing they need to run their businesses.*



PHOTO: ELINDA SUE SCOTT

**Besides raising capital, SCOR financing can help a firm build relationships with customers, says Rinaldo Brutoco, president of the Red Rose Collection mail-order firm in Burlingame, Calif.**

slowly, but now SCORs are permitted everywhere except Alabama, Delaware, Hawaii, and Nebraska.

Nevertheless, SCORs remain something of an orphan, having neither a highly focused national guardian, such as the U.S. Small Business Administration, nor a big group, such as investment bankers, to promote them.

## Off To A Slow Start

To put it mildly, SCORs have been a dud so far. In 1990, when the program began, a mere six SCORs were filed nationwide, says Tom Stewart-Gordon, editor of *The SCOR Report*, a Dallas-based newsletter. The number has been rising steadily, however. In the first three quarters of 1997, 126 SCORs were registered.

*A Small Company Offering Registration isn't simple, but there are benefits—including a boost in sales that can result from the marketing effort.*

The financing tool is doubtless vastly underused, say those familiar with the program. Deborah R. Bortner, director of securities for Washington state (the first state to use SCORs) and chairwoman of NASAA's corporate-finance section, says: "Many people just aren't aware of these." Often, she adds, it's simply luck when a small-business owner crosses paths with someone familiar with the program.

"There are lots of companies that have been in business a few years and have an established customer base," she notes. "They could really benefit from this if they knew that the program was out there."

To be a realistic candidate for SCOR financing, industry experts say, your business must have an affinity group—that is, people who identify with the business and are more inclined to invest in it than are those with no ties to the firm. An affinity group could be customers, distributors, or people in your geographic area, for example.

Some affinity groups are tightly knit in their interests but geographically dispersed. Cal-

Pearson Corp., a yacht builder in Bethesda, Md., raised \$300,000 through direct mail to subscribers of yachting publications, says Tom Trexler, president of The Corporate Finance Institute, Inc., a Bethesda-based SCOR consultant to the boat builder.

## The Crucial Marketing Strategy

The business must be understandable to people with no experience investing in shares, says Drew Field, principal of Drew Field Direct Public Offerings in San Francisco, a widely respected consultant on marketing securities without intermediaries.

It's crucial to have a well-thought-out, customized marketing strategy for reaching your affinity group and selling your shares. "Seminars work very well if you have something to show, like food from

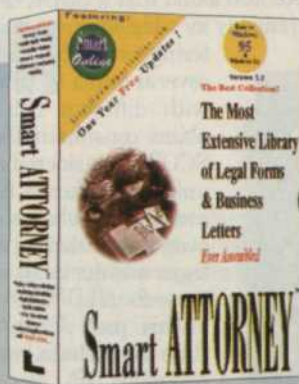
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## FINANCE

your restaurant," says Stewart-Gordon. Other ideas include putting notices in stores or on product packages—anything from beer labels and clothing tags to bags of coffee beans. A gas-furnace maker found home shows useful for selling its securities.

If your marketing strategy succeeds, the benefits may go beyond the capital you raise. Trexler recalls that when yacht builder Cal-Pearson contacted prospective investors, it found that they often were interested in buying one of the company's yachts, too. "We sold lots of boats as a result of selling the stock," he says.

Ron Davis, president of 19-employee Caffè Diva, a small chain of drive-through gourmet coffee stores in Eugene, Ore., launched a SCOR this past October. Four months into the offering, Davis' sales volume was up 74.4 percent.

It may rise further if the experience of Red Rose Collection Inc. is a model. Red Rose, a mail-order house in Burlingame, Calif., completed California's first SCOR offering in the spring of 1996, raising \$300,000 from customers. The catalog company offers clothing, books, audio and video tapes, inspirational graphics, jewelry, and more.

Rinaldo Brutoco, president of Red Rose, says the company tracked sales to the new shareholders in the year after completion of the SCOR and found that they increased by 300 percent over the previous year. "One of

the reasons you do this is to raise capital," Brutoco says. "The other is to build relationships with your customers."

Brutoco also found that a SCOR can prepare a company for a bigger direct public offering, or DPO. (There are several forms of DPOs, all with different rules, explains consultant Field. A SCOR is considered a DPO unless a broker is used to market the shares. However, the marketing advantages and demands are the same for all DPOs.)

This past August, Red Rose completed a yearlong, \$2 million DPO. Because of the earlier SCOR experience, "everything" went better with the larger offering, says Brutoco. He says the firm knew how much to

staff up for extra phone volume, how to control response time, and "what language to use in our marketing."

### Figuring The Expenses

Costs start with professional fees. Bill Beatty, senior securities examiner for Washington state, says most states require that financial statements be reviewed or audited by a certified public accountant. And you'll need an attorney to advise you on the U-7. Other, less quantifiable costs, he says, include the time spent and possibly the opportunities lost while attention is directed to document preparation and the entrepreneur's selling efforts.

Field estimates that one person at your company needs to spend at least half his or her work time on the SCOR during the

most intense portion of the preparation, filing, and marketing process.

Trexler estimates that business owners will have \$120,000 in expenses, including the entrepreneur's time, on a financing of \$300,000 to \$400,000.

Even very small deals can make sense financially. "I think that doing a SCOR to raise \$200,000 is feasible," Field says, "if the owner or an employee is willing to gain the knowledge necessary to do it. The company should be able to complete the deal for \$30,000 or less, not counting the entrepreneur's time."

That's a cost of 15 percent of the amount being raised. If that sounds like a lot, consider Field's point that larger companies typically have expenses of 15 to 25 percent on underwritten public offerings. Moreover, the money raised is permanent capital, and the percentage that goes to expenses is less than the cost of borrowing for two years.

NASAA is working to make information about SCORs more accessible and to simplify legal procedures. For example, under regional-review procedures in several areas of the country, a business owner's documents for filing in multiple states are subject to only one review by securities officials.

### Steps Along The Way

In general, to conduct a SCOR, you must:

- Call your state securities commission and request a U-7. It will come with additional, shorter registration forms.

- Fill out the forms. Although the U-7 is designed to be filled out by the business owner, you'll probably need a lawyer and an accountant to help with some questions.

- File the forms in one or more states. The filing fees range from \$200 to \$500 in most states, but not all. The California fee, for example, is \$2,500.

- Carry out your marketing strategy.

"The most important condition for success is to get good advice on the front end," says Brutoco. Bortner suggests asking the state bar association for names of members who do securities work, particularly small offerings.

Field adds: "Most people find copies of documents that other companies have used—they are publicly available from the state securities agency. Also, talk to peers in companies that have done SCORs and are willing to pass on some of their experience."

**T**he SCOR process can be complex, and there is a steep learning curve at the beginning. But once you have gone through the process, you will know more about your business and your industry, and you probably will end up a much sharper manager. **NB**

*Roberta Reynes is a free-lance business writer in Spencertown, N.Y.*

**"Doing a SCOR to raise \$200,000 is feasible if the owner ... is willing to gain the knowledge necessary to do it."**

—Securities-Marketing Consultant Drew Field

## Getting To Know The SCOR

Here are some resources for helping entrepreneurs get through the process of going public by way of a SCOR, or Small Company Offering Registration:

- North American Securities Administrators Association, Inc.; 10 G Street, N.E., Suite 710, Washington, D.C. 20002; (202) 737-0900. The U-7 registration form and an accompanying manual are available free on the association's World Wide Web site, [www.nasaa.org](http://www.nasaa.org), or for \$20 by mail.

- A "Small Corporate Offering Registration Kit" developed by the Greater Austin (Texas) Chamber of Commerce is a large, three-ring binder containing items such as a sample filled-out U-7 form; software containing the U-7 form; articles

and speeches about SCORs; and information from the Pacific Stock Exchange's SCOR Marketplace, a trading vehicle especially for SCOR stocks. Available to *Nation's Business* readers for the special price of \$100 (regularly \$125) from Small Business United of Texas, 1011 W. 11th St., Suite A, Austin, Texas 78703; 1-800-460-2448.

- *The SCOR Report*, a newsletter available for \$280 a year. Write to the publication at P.O. Box 781992, Dallas, Texas 75378; or call (972) 620-2489.

- Drew Field Direct Public Offerings, a Web site at [www.dfdpo.com](http://www.dfdpo.com).

- The Web site of the Washington state Department of Financial Institutions' Securities Division: [www.wa.gov/dfi/securities](http://www.wa.gov/dfi/securities).

## TRAINING

# Virtual Classrooms, Real Education

By Vicky Phillips

In 1840, Sir Isaac Pitman, the English inventor of shorthand, came up with an ingenious idea for delivering instruction to a potentially limitless audience: correspondence courses by mail. Pitman's concept was so hot that within a few years he was corresponding with a legion of far-flung learners.

Distance learning—in which instructor and student remain geographically apart—has boomed since Pitman pioneered it. Now it is delivered via mail, cable television, satellite broadcasts, videotapes—and, most recently, the Internet.

Moreover, the rapid development of online learning has caught the attention of small-business owners. The Internet is proving to be a low-cost, flexible, and highly effective medium for employee training in a range of subjects, especially computer skills.

Cost alone can be an incentive for going to cyberspace for training. Classroom-based seminars on using software can cost hundreds of dollars a day for course tuition; training materials; employee travel, meals, and lodging; and the time spent in transit.

Desktop training eliminates many of those expenses, leaving only the costs of the courses and instructional materials.

Moreover, the relative ease of comparing costs among online-learning providers can be appealing for employers. In choosing the most cost-effective training program, it matters little whether the education provider is based down the road or around the world. A course can be purchased and delivered overnight to any employee anywhere in the world who has a PC equipped with an Internet connection.

## Cost Comparisons

When Barbara Epstein, site manager of the historic Physick House in Philadelphia, wanted instruction in computer ap-

plications to manage her tasks, she looked closely at costs. She shopped around for courses on computer applications such as Microsoft Corp.'s Access, Word, and Excel. Although she lives close to several top colleges and universities, she says, she found

*The latest, most flexible, and typically least-expensive form of "distance learning" is within your reach on the Internet.*

at Physick House and to organize her appointments and the tours conducted there.

ZDNet University offers courses in popular applications and operating systems such as Microsoft's Windows 95, Excel, and PowerPoint as well as in programming lan-



PHOTO: GAIL DIMARCO JR./BLACK STAR

**To master the software for inventorying antiques at Philadelphia's historic Physick House, site manager Barbara Epstein chose online instruction because of its low cost.**

that none could beat the price offered by ZDNet University ([www.zdu.com](http://www.zdu.com)).

It is a new online training service of Ziff-Davis, a media and marketing company (now a division of Tokyo-based Softbank Corp.) focusing on computers and the Internet. Among Ziff-Davis' several computer publications is *PC Magazine*.

For \$4.95 a month, Epstein has unlimited access to the self-paced tutorials, located on the World Wide Web. "It's definitely cheaper than video or [classroom-based] computer-software courses," she says, and the low cost relative to other options she considered was the main reason she signed up.

Epstein is using the training to build an inventory-tracking system for the antiques

guages and Web-site design. Each online course consists of about 30 interactive tutorials focusing on a specific function of the chosen software and requiring about 10 to 30 minutes to complete. Students can work through all the tutorials in any course or choose only those for the skills they seek to master. There is no need to buy expensive supplemental textbooks. All instructional materials are archived on the Web.

## Meeting A New Demand

The growing need for inexpensive, just-in-time training in business subjects and computer technologies is being served by instruction-materials firms such as Waite Group Press, in Corte Madera, Calif. Waite

## TRAINING

Group has tied its best-selling tutorial books to an interactive online educational center called the eZone, on the Web at [www.waite.com/ezone](http://www.waite.com/ezone). The result: "For the price of the book—\$50 more or less—you get a whole school," says Charles Drucker, associate publisher of Waite Group Press.

Each Waite Group tutorial book covers a specific Internet, computer, or programming technology, such as programming languages Java or hypertext markup language (HTML). The books contain more than 90 lessons coupled with application exercises and end-of-chapter tests.

Each book comes with a CD-ROM that links the student to the eZone site for quizzes and online conversations with other students.

### Designed To Teach

The Waite Group's approach to online learning proved to be just what Charles K. Reed needed. Reed, an information specialist, runs the Columbus, Ohio, office of The Graphics Department, Inc., an eight-person firm based in Troy, Mich. It does various types of design work, including Web pages. He needed to learn a programming language called Perl (Practical Extraction and Report Language).

Rather than sign up for a classroom version of the instruction, Reed chose Waite Group's tutorial book. He used the book's CD-ROM to log on to the eZone to work through online quizzes and to swap ideas about Perl with fellow students by way of online discussion groups.

Reed was so pleased with the low cost and the ease of learning through eZone that he persuaded a co-worker to take the Perl course. Though the co-worker, a graphic artist, was reluctant to tackle a programming course, he told Reed afterward that "it was the easiest thing he'd ever learned."

After his first course, Reed went on to take Waite Group online classes in the C++ programming language, Adobe Systems Inc.'s Photoshop design and production tool, and Visual Basic, a programming system from Microsoft. He now serves as an online tutor, helping new students in Photoshop and Visual Basic with their questions as they enter the eZone for their own courses.

Drucker says the eZone creates a "little red schoolhouse in cyberspace," making an

analogy to the old, one-room schoolhouse, in which all the grades were together and students ended up teaching one another.

"Peer teaching," says Waite Group's Drucker, "allows people of varying levels of expertise access to each other. People may be afraid to admit their deficiencies to a teacher, but they will admit them to each other." Students can communicate with one

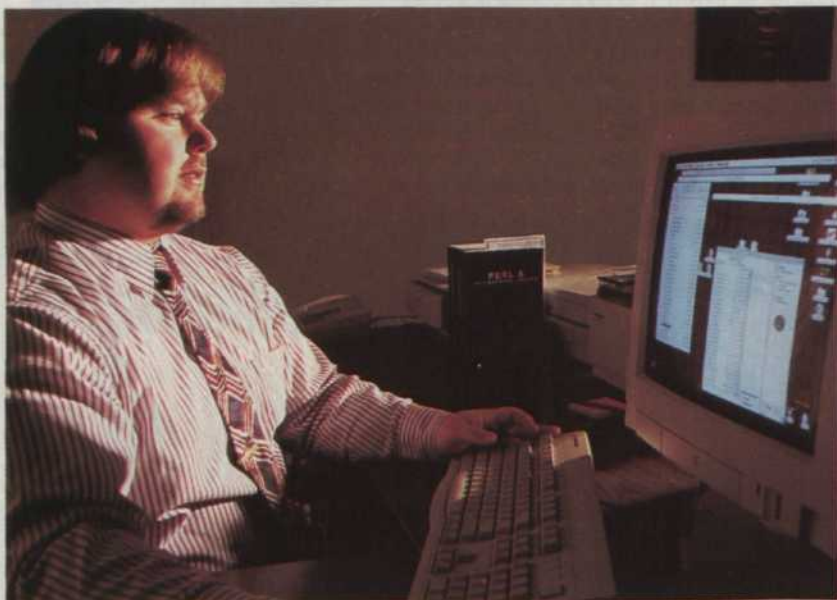


PHOTO: GIM CALLAWAY

**Forgoing the classroom,** design-firm manager Charles K. Reed of Columbus, Ohio, logged on to the eZone for instruction in a programming language.

another via electronic mail or in live chat rooms. Reed sees the eZone's online discussion groups as invaluable tools for allowing peers to address the real-world glitches that computer technology sometimes presents.

For a small-business owner or employee who needs to get up to speed on a computer language or software application and has no co-worker to serve as a teacher, the eZone model can be an ideal learning environment.

"Studying online is as close to a one-to-one tutorial as you can get," says Cathy McGuire, director of online learning at the University of California at Los Angeles Extension.

### A Broad Curriculum

Although computer-skills courses are among the most popular ones online, there are many other types of offerings.

When Nancy Gordon, owner of Customized Travel Research in Boise, Idaho, registered for an online course in travel and tourism from the UCLA Extension, she wasn't sure what to expect. She says now that she got the best educational experience of her life for about \$500.

Gordon's online instructor, Joanie McClellan, turned out to be more than just a

teacher. McClellan, director of the San Fernando Valley Convention and Visitors Bureau, helped Gordon develop her business concepts. "She even custom-tailored the final project for me to fit my unique business-research needs," says Gordon. "I've never had a professor do that for me."

Then, after completing the course, Gordon met McClellan at a travel-industry conference. There, McClellan introduced Gordon to people who later became key networking resources and clients.

Online classes can also give small-business owners access to colleagues from outside the United States. William Nix, CEO of W.E. Nix & Associates, an Internet consulting firm in Los Angeles, taught an online course last year for UCLA Extension, titled "Doing Business in Eastern Europe." To Nix's surprise and delight, all 45 students who enrolled in his course logged on from other countries.

Because the class was online, Nix was able to bring together students from different countries who could discuss the real-life issues of doing business in various cultures. Students read classic business texts, but they also received focused input from their fellow classmates on commercial practices worldwide.

Once you have found the right online course at the right price, you typically can do the work whenever your schedule permits. "Time was my critical factor in turning to online learning," says Gordon. "In my travel consulting business, I have to work sometimes until 2 a.m. With an online course, I could read the e-mail from my instructor and do my homework after 2 a.m. You can't replicate that kind of freedom in a classroom setting."

For self-paced, online tutorial programs such as those operated by Ziff-Davis University, students can manage their time by beginning or ending a course at the exact point where they feel they need assistance. Unlike the routine in a classroom, where everyone begins with Lesson 1, many online tutorials let students begin wherever their skill level permits.

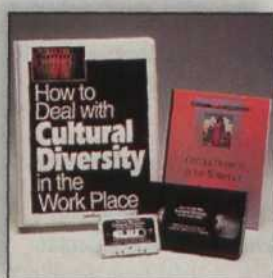
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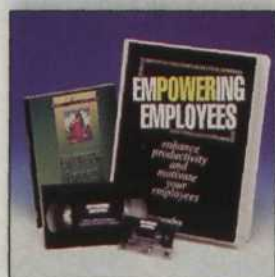
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Dealing With Difficult People JWA #1013AV

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## TRAINING

number of them are creating Web-based universities.

An estimated 180 accredited graduate schools and more than 150 undergraduate colleges and universities now support distance-learning degree programs, and an increasing number of the programs are Web-based. (See the listing below.)

Many online universities are catering to

business's rising demand for skill-development courses delivered to the employee's desktop. For example, Champlain College in Burlington, Vt., offers Web-based programs built upon a core of business and computer classes and leading to professional certificates as well as associate and bachelor's degrees.

As with many online programs, the cur-

riculum at Champlain is not simply textbook-based. Each online class is designed to emphasize what John Lavalley, director of online programs, calls "experiential understanding."

Says Lavalley: "We use case studies, group exercises, and real-life work problems. We test the students not by giving them multiple-choice exams but by say-

# Courses By Keystroke

Here are the names of online directories that offer help in locating accredited online degree programs, followed by some of the many colleges and universities throughout the country that offer online courses and degree programs in business and technology.

## Online Directories

**California Virtual University**

[www.virtualu.ca.gov](http://www.virtualu.ca.gov)

**Distance Education and Training Council**

[www.detc.org](http://www.detc.org)

**Guide to Online Colleges, Virtual Universities & Training Institutes**

[www.together.net/lifelong/dlsites.html](http://www.together.net/lifelong/dlsites.html)

## Online Business And Technology Colleges

**Brevard Community College—Virtual Campus**  
Cocoa, Fla.

[www.wcc-eun.com/brevard/index.html](http://www.wcc-eun.com/brevard/index.html)

1-800-225-3276

Programs leading to associate degrees in drafting and design technology, electronic-engineering technology, environmental science, hazardous-materials technology, hospitality management, international business management, logistics-systems technology, marketing management, and solar-energy technology.

**Champlain College**

Burlington, Vt.

[www.champlain.edu/OLDE/index.html](http://www.champlain.edu/OLDE/index.html)

1-888-545-3459

Certificates and associate degrees in subjects such as accounting, business, computer programming, hotel and restaurant management, and travel and tourism. In addition, bachelor's degrees in computer programming and business.

**City University Online**

Bellevue, Wash.

[www.wcc-eun.com/city/Index.html](http://www.wcc-eun.com/city/Index.html)

1-800-225-3276

Bachelor's degrees in subjects such as accounting, business administration, computer systems, energy and environmental quality, management, and marketing.

**Empire State College of the State University of New York**

Saratoga Springs

[www.esc.edu](http://www.esc.edu)

(518) 587-2100

Individually designed and mentored bachelor's degrees in business and management and labor studies.

**New Jersey Institute of Technology**

Newark

[www.njit.edu/DL/](http://www.njit.edu/DL/)

1-800-624-9850

Bachelor's degrees in computer science and computer information systems.

**New York Institute of Technology**

Old Westbury

[www.nyit.edu/olc](http://www.nyit.edu/olc)

1-800-222-NYIT (1-800-222-6948)

Bachelor's degrees in business administration, telecommunications management, and hospitality management.

**Pennsylvania State University**

State College

[www.cde.psu.de/](http://www.cde.psu.de/)

1-800-252-3592

Certificates in business management, small-business management, advanced business management, business logistics, purchasing management, and human resources. Associate degree in business administration.

**Rogers University Online**

Claremore, Okla.

[ruonline.edu/](http://ruonline.edu/)

(918) 343-7548

Associate degrees in computer science and business management.

**Thomas Edison State College**

Trenton, N.J.

[www.tesc.edu](http://www.tesc.edu)

(609) 292-6565

Bachelor's degrees in applied science and technology, including specializations in engineering, computer science, and electronics. Bachelor's degrees in business administration, including a specialization in small-business management/entrepreneurship. Master's degree in management.

**University of California at Los Angeles Extension—The Home Education Network**

[www.then.com](http://www.then.com)

1-800-784-8436

Courses in business, computers, entrepreneurship, and international business.

**University of Maryland—Bachelor's Degree At A Distance**

College Park

[www.umuc.edu/bdaad](http://www.umuc.edu/bdaad)

1-800-283-6832

Bachelor's degrees in 13 academic areas.

## Virtual MBA Programs

**Baker College**

Flint, Mich.

[www.baker.edu](http://www.baker.edu)

1-800-469-4062

**Colorado State University**

Fort Collins

[cobweb.cobus.colostate.edu](http://cobweb.cobus.colostate.edu)

1-800-491-4622

**Duke University**

Durham, N.C.

[www.fuqua.duke.edu/](http://www.fuqua.duke.edu/)

(919) 660-8011

**ISIM University**

Denver

[www.isimu.edu](http://www.isimu.edu)

1-800-441-ISIM (1-800-441-4746)

**New York Institute of Technology**

Old Westbury

[www.nyit.edu/olc](http://www.nyit.edu/olc)

1-800-345-NYIT (1-800-345-6948)

**Regis University**

Denver

[www.mbaregis.com](http://www.mbaregis.com)

1-888-MBA-REGIS (1-888-622-7344)

**University of Phoenix Online**

Phoenix

[www.uophx.edu/online](http://www.uophx.edu/online)

1-800-742-4742

**Worcester Polytechnic Institute**

Worcester, Mass.

[mgmt.wpi.edu/graduate.htm](http://mgmt.wpi.edu/graduate.htm)

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ing, 'Here is a problem this company is having; how is your group going to solve this?'"

Champlain's online program, begun in 1993, has expanded rapidly, enrolling more than 550 students from around the world. The most popular courses, Lavallee says, are in computer programming, network administration, business, and accounting.

"We have a lot of people earning their first degree online with us," says Lavallee, "but we also enroll a lot of people who have bachelor's, master's [degrees], even Ph.D.s who are studying online with us for career-skills enhancement."

Full-credit college courses typically cost \$300 to \$1,000.

Most online classes don't require that



PHOTO: ©DAVID R. FRAZIER

**An online course in tourism not only was educationally top-flight, says travel researcher Nancy Gordon of Boise, Idaho, but also led to new networking resources.**

students have the latest high-powered computer, but Internet access is a must.

#### Choose Carefully

Before enrolling in any online college, make sure that your chosen program is

recognized by either a regional accrediting agency or the Distance Education and Training Council. The council is a nonprofit, nationally recognized accrediting agency located in Washington, D.C.

At the rate that online course offerings are expanding, it's clear that the Internet has added a popular new twist to the correspondence courses of old.

Sir Isaac Pitman, no doubt, would be pleased. **18**

*Vicky Phillips (lifelong@together.net), of Waterbury, Vt., is co-author of The Best Distance Learning Graduate Schools: Earning Your Degree Without Leaving Home, to be published in August (Princeton Review, \$22.50).*

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## MANAGING

# Is It Time To Make Your Best Move?

By Susan Hodges

**E**d McCormick understands stress. As president of Project Technologies International, LLC, he travels the world setting up insurance for the construction phase of power plants, sports arenas, and other major projects. But nothing in his past prepared him for the level of stress he endured when he moved his three-person shop from furnished space outside Atlanta to an empty space downtown.

McCormick was assured that his parent company would handle all the relocation plans. But lots of details slipped through the cracks. Entries on McCormick's laundry list of woes include inadequate parking, new computers without CD-ROM drives or modems, a toll-free phone number that the phone company changed after new-address notices were mailed out, and no budget for incidentals such as lamps, tables, and wall hangings.

Meanwhile, the furniture that McCormick's parent company ordered is "beautiful, but not suitable," he says. "Our desks don't have pullout writing [surfaces], and our credenzas don't have knee holes. We've all got bruises from trying to adjust."

Furthermore, the architects who designed McCormick's new space didn't place electrical outlets near desks, a problem that should have been foreseen. The result is a spaghetti of computer and electrical cords run riot. Add to this a new fax machine that doesn't work and a water machine that doesn't produce hot water.

"It's so depressing," says McCormick. "I left a system that worked and moved into something that doesn't."

Welcome to Moving Your Small Business, 1998.

## A Chance To Regroup

Whether it's your office or your residence, moving is an event so shot through with

anxiety that it ranks with divorce as one of life's biggest challenges, according to some experts.

But as growing numbers of business owners are learning, moving doesn't have to be traumatic. It can be an opportunity to regroup and revitalize your company. In fact, a business owner can find that the opportunities outnumber the obstacles if the move is planned to the last detail—from determining what the new location offers and lacks to sending out address-change notices, deciding where the furniture goes, and making sure parking is possible on moving day.

Dave Reidy took two years to plot his move before finding the right space last year. Since 1981, his Malvern, Pa., firm, Reidy Associates, had grown from a one-man shop to a 10-person, multimillion-dollar distributor of packing equipment and materials.

Additional warehouse space was "no longer an option," says Reidy. "It was essential."

But the 20-mile move west from the Philadelphia suburb of Malvern to rural Coatesville provided more benefits than just extra space. Employees tell Reidy they're inspired by the beauty and relaxed setting of Coatesville's lush farmland.

Operations are also more efficient, thanks to new cubicles that replaced outmoded partitions. Says Reidy: "We got a lot more than the additional 5,000 square feet [of warehouse space] we were looking for."

A well-planned move, says author Diane Touleyrou, should "result in a better working environment for your organization, even if the move was made necessary by downsizing."

Touleyrou, who wrote *The Small Company Moving Guide: Everything You Need to Manage A Smooth Move* (Direct Results, \$47.95), says that means rethinking everything from your phone system to your filing cabinets to your coffee vendor. It also means reviewing your company's finances to determine if you can afford to move in the first

*Whether your firm needs a new image, more business, or better employee morale, relocating may be a step toward a solution.*

place—or whether you can afford not to.

Some businesses are forced to move because their lease can't be renewed, or the neighborhood is changing, or the commercial space is deteriorating. But most businesses move because their owners simply want to relocate.

## Calculator Time

Before moving your business, however, you should know the costs—human as well as financial. "Owners who want to move should be able to afford losing personnel who choose not to relocate, even if it's just across town," says Touleyrou.

They should also be prepared for costs ranging from employee hours spent planning and making the move to the price of new stationery, forms, and business cards. Don't forget that the price of space per square foot will probably be higher, too. But with careful planning, you might be able to keep your total rental cost in line by using less space.

Nancy LeDoux, director of commercial moves for Smith's Moving and Storage, an Alexandria, Va., agent for Mayflower Van Lines, says the size of executive suites and offices is declining in general. "So even though the cost of your square footage may be higher, you could use less space—especially if you buy systems furniture," says LeDoux.

Systems furniture is designed to accommodate computer and telecommunications equipment. Although it's usually heavier than conventional office furniture, it generally takes up less room because of its efficient use of space. Moreover, LeDoux says, "the people who sell it will usually install it for you."

## Location, Location, Location

After deciding whether to move, the next decision is where to move. Moving specialists agree that a careful search for a new location for your business could take

**"Most problems begin when small businesses fail to put one person in charge of the move."**

—Kathy Cimorelli,  
Weichert Realtors  
Relocation Services

Susan Hodges is a free-lance writer in Takoma Park, Md.





PHOTO ILLUSTRATION: GEORGIA LEIGH MCDONALD

## You Can Get There From Here—If You Plan

Overwhelmed with details of moving? Consider these tips from Diane Touleyrou, author of *The Small Company Moving Guide*:

### Three Months Before The Move

- Choose a move leader and a moving team. Draw an organization chart to identify your moving team and how it's organized.

- Target a move date and hold your first moving-team meeting. At the first team meeting, plan the first company-moving meeting. Also, create a formal employee-relocation policy that specifies what the company will and won't do for workers related to the move.

- Hold your first company-moving meeting. Announce the move and the reasons for it. Solicit employee feedback about the move. Request suggestions.

- Place a purchasing hold on new stationery and inventory. Begin tracking moving expenses.

- Order telephone books and phone lines for the new space. Ask if you can keep existing phone numbers.

- Start saving boxes. Organize accounting records. Hire an architect or decorator.

### Two Months Before The Move

- Pick the exact moving day and give written notice to your landlord.

- Contact the phone company to schedule connect and disconnect dates. Make sure all phone-book listings and ads reflect your new address and phone number.

- Locate other professionals in your new area and start networking.

- Shop for a bank and property insurance. Ask about coverage changes for company cars.

- Order new office signs. Begin planning outdoor and indoor plant landscaping.

- Hire a cleaning company and hold a moving sale. Rent a storage locker for items you need but won't use before the move.

- Keep employees informed and motivated. Schedule a going-away party.

- Write press releases and other promotions announcing your move.

### One Month Before The Move

- Reserve your moving company or rental truck.

- Establish a post office box and send out moving announcements. Order office stationery.

- Contact utility companies to schedule connect and disconnect dates.

- Preview your new offices. Schedule vending-machine and coffee services.

- Discontinue or move all professional memberships.

- Schedule a physical inventory.

### One Week Before The Move

- Make copies of new office keys. Make maps to the new location.

- Hold your pre-move company meeting.

- Deliver forwarding orders and box-closing notices to the post office and other mail services.

- Perform your physical inventory.

- Close safe-deposit boxes and clear out storage lockers. Clean the refrigerator. Clean the old office.

- Mark items that stay at the old office. Make signs for the movers.

- Make last-minute confirmations of movers and parking (if parking is the company's responsibility). Back up computers.

### On Moving Day

- Be there to answer questions and watch the move.

- Pat yourself on the back and schedule your after-the-move celebration.

*Reprinted with permission of the author, Diane Touleyrou, from The Small Company Moving Guide: Everything You Need to Manage A Smooth Move, published by Direct Results, Saline, Mich.; (313) 429-3676; \$44.95 plus \$3 for shipping and handling.*

weeks or months, whether you're looking in your immediate area or another part of the country.

That was a discovery that the Equipment Leasing Association (ELA) made when it decided to move from one section of Arlington, Va., to another. It took nearly a year to choose a new location and plan the move for the 21-person, nonprofit organization.

"We'd been in our former space for 16 years, and we were reinventing ELA," says Emil Maura, director of finance and administration, who planned the move. The organization wanted to convert from a multiple-office design to an open space where newly formed teams could function effectively. Says Maura: "We realized a move was the best solution."

Setting their sights on the lease expiration in December 1997, ELA employees first drew up a list of features they wanted their next location to have. Their preferences included a grade-A office building near Washington; ample space for meeting rooms; and easy access to the city's subway system, area airports, and hotels.

To expedite the search and handle lease negotiations, ELA used a commercial real estate broker.

After a site was chosen, the organization hired an architect to design the new space and decided to purchase new office furniture.

"We left all desks and credenzas in our old space," says Maura. What employees didn't purchase for their personal use was sold to wholesalers.

Arrangements with local and long-distance phone carriers came next, as did hiring consultants to move phones and computers. "We decided to use the same people who were doing the cabling," says Maura. "It saved time because they could pull all the wires through at once."

ELA made its move on Dec. 29, 1997, on schedule and within budget.

#### A Management Challenge

Clearly, moving your business can produce trauma or triumph.

"Most problems begin when small busi-

nesses fail to put one person in charge of the move," says Kathy Cimorelli, director of transportation at Weichert Realtors Relocation Services in Morris Plains, N.J.

Depending on the size of your company, you'll also need one person per department to act as a team captain. Then schedule a time for the move coordinator and all team captains to meet with representatives of the moving company to discuss packing, labeling, furniture placement, and timing.

#### Surveying The Geography

Many movers will provide rough sketches of floor plans so employees can design their own space. Use the sketches, says Cimorelli. "Making sure your furniture fits your new space is not the responsibility of the mover."

The more you expect of your moving company, the more your move will cost. Tim Raver, general manager of Sterling Movers, an agent in Laurel, Md., for North American Van Lines, says the best way business owners can save moving dollars is to pay close attention to their new site plan.

"Find out where your electrical outlets will be and place your furniture accordingly," says Raver. If your current office has partitions, "be sure you have the parts you'll need to adapt the partitions to your new space."

Raver even recommends that employees practice knocking down their workstations and reassembling them to become as efficient as possible at one of the most time-consuming chores in a move.

#### Transferring The Goods

On moving day, require your move coordinator to be on the scene from beginning to end.

"Count the number of trucks, the number of movers, and the number of pieces of equipment being used," advises Weichert's Cimorelli. It's also recommended that you log in the time the movers arrive and the time they finish the job so you can compare your data with the bill when it arrives.

And remember: A moving estimate is just that. "Things always change for the business doing the move, and that changes things for the movers," explains Cimorelli.

To help prevent surprises, Raver says, you should ask your moving company to assign the person who wrote your contract as the supervisor of your move.

Then clean out your closets and start planning.

To save moving costs, study the new site plan. "Find out where your electrical outlets will be and place your furniture accordingly."

—Tim Raver,  
Sterling Movers

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## MANAGING

# Planning For A Disaster

By Michael Barrier

**W**hen it comes to disaster planning, says Paducah, Ky., restaurateur John W. Harris, many small-business people have adopted the attitude that he summarizes this way: "It never is going to happen to me."

Harris knows better. His Whaler's Catch Restaurant was destroyed by fire on New Year's Day of 1996, and getting the business back up and running took nearly a year. Relocated now, the restaurant has a sprinkler system, alarms, and other safeguards that make a repeat of that disaster unlikely.

As Mother Nature has a way of pointing out, though, it's not possible to insulate a business completely from disaster. This year's weather has seemed especially fickle and threatening because of the widely publicized effects of El Niño, the warming in the Pacific Ocean that has been blamed for torrential rains and flooding in California and unsettled weather in other regions.

Says Bernard Kulik, the U.S. Small Business Administration's associate administrator for disaster assistance: "Don't think it will happen to someone else. It's going to happen to you. And unless you're prepared for it, you're going to be in deep trouble."

One exemplar for businesses that are planning for emergencies is the Army National Guard. In roughly half the states, the state commander of the Guard is also in charge of emergency preparedness. The Guard typically assumes tasks such as evacuating flood victims, cordoning off affected areas, and providing communications.

This year, says Maj. Gen. William A. Navas, director of the Guard, "we anticipated the effects of El Niño. We knew we were going to be involved." Planning began in January, when representatives of the Guard, the National Weather Service, the Federal Emergency Management Agency (FEMA), and state and local agencies met at a Guard facility in California to conduct what Navas calls "table-top exercises."

Such planning is not new. For example, Navas says, there have been meetings

every other year to determine what will be required if, as predicted, an earthquake occurs along the New Madrid Fault in the Midwest. The timing and exact nature of emergencies may be unpredictable, but, Navas says, planning permits you to think about "those tactics and procedures" that will let you react effectively.

Such preparation can make a big difference. Navas says the response by the Guard and other agencies to this year's emergencies has been very effective.

Through mid-March the SBA had approved \$4.8 million in low-interest El Niño-related loans in California alone. And FEMA had written checks to Californians totaling more than \$10.7 million. Without disaster-mitigation planning conducted by the Guard and others, the damage total undoubtedly would have been higher. Preparedness, says FEMA Director James Lee Witt, "is an idea whose time has come. And this common-sense approach to natural disasters is catching on in communities across the country."

The common-sense steps business owners can take vary considerably from industry to industry and business to business, but here are some generally applicable rules of thumb:

*Whether the risk is fire, flood, tornado—or even a flaming fish tank—your business is vulnerable. These precautions can help your company survive.*



PHOTO: GUYON NOLLENDORFFS—MERCURY PICTURES

**Hit by a devastating flood in 1984, Harlan Hamernik has since built a supportive network that will help his Nebraska nursery get through another emergency if one arises.**

**Be prepared for disasters of many kinds.** People "tend to think of disasters as something that happens in south Florida and Los Angeles," says Michael Griggs, president of Disaster Restoration, Inc., in Westminster, Colo. But if a cold snap hits, your building's heat goes out, the sprinkler system freezes, and the pipes break, "I call that a disaster," Griggs says, "because everything in the company is soaking wet."

A fire that destroys a business may be the most dramatic kind of disaster, but "in my experience," Griggs says, "you see more damage from water" than from fire. That damage is insidious, he says: "After the fire is put out, the damage has been done. With water, damage is progressive." If water is left alone, it can cause steadily more damage—such as warping.

In a modern urban setting, with businesses often sharing buildings, a company can easily find itself the victim of someone else's disaster. "I'm doing close to a million-dollar job right now," Griggs says, "where the light in a fish tank caught on fire at a doctor's office."

The resulting blaze caused so much damage that other businesses sharing a commercial complex with that office had to

## MANAGING

uproot and set up shop elsewhere, through no fault of their own.

**Buy enough insurance—of the right kind.** Whatever you determine you can't afford to lose, the SBA's Kulik says, "has to be covered by insurance."

Your insurance may not cover what you think it covers, however. "Most people don't realize that normal hazard insurance doesn't cover floods," Kulik says. "Or earthquakes in California, or hurricanes in Florida." You will have to pay extra for riders or separate policies to insure against such damage.

Likewise, if you have "replacement value" insurance for your structures, make sure that it covers "required [building] code upgrades," he says. "The insurance companies are going to say that if you don't have the specific coverage for required code upgrades, you're not covered."

Business-interruption insurance, which covers a business's lost profits and necessary expenses while the firm can't operate, "is not cheap," Kulik notes. And as Griggs says, "If you can quickly move your operation to another facility,"

such coverage may not be very important. On the other hand, most businesses now depend on computers. So what happens, Kulik asks, "if there's no physical damage, but all of a sudden the electricity's gone? In almost any retail business, you can't do business without electricity, because your cash register won't work."

Restaurateur Harris says that his insurance agent persuaded him to buy business-interruption coverage for three months, but nine months would have been a better option. "Pay a little bit more on your premium to have enough" coverage, he says.

**Protect critical records.** "I've had people tell me that they back up their com-

puter all the time," Kulik says, "but they keep the disks in the desk drawer. What makes you think the desk is going to be there if the computer gets blown away?"

You should store critical records securely on the business's premises and also keep backup copies of those records in a secure location off the premises.

"We've made sure that all the records we need to continue in business are in fireproof files," says Harlan Hamernik,



PHOTO: KEN TOUGHTON

*Through planning, the Army National Guard settled on the right "tactics and procedures" for dealing with El Niño's floods and storms, says Maj. Gen. William Navas.*

president of Bluebird Nursery in Clarkson, Neb., a wholesale grower of plants and ornamental grasses. Bluebird became much more disaster-conscious after a freak 1984 flood wiped out its nursery stock and almost put the company out of business.

"All computer backups are off-site," Hamernik says, "and not just accounts receivable and accounts payable, but other computer resources that we need to operate." In Bluebird's case, that includes the contents of the catalogs that it mails by the thousands to garden centers and landscapers around the world. "If we lost that," Hamernik says, "it would cost us a bunch to replace it."

### Have a supportive network in place.

As the National Guard's Navas says, "You cannot play the Chicago Bulls with a pickup team." Think of a fire or flood as your opponent and cultivate close relationships with the members of your "team," including vendors and customers, before a disaster strikes.

If an emergency arises, "call your creditors and your bank and tell them what has happened," advises Bluebird Nursery's Hamernik. "Don't for a minute let any rumors get started that this could kill the company. That can happen very easily. Call all your customers and let them know you're going to be back in business shortly. Try to help them find product. Without a successful customer, you don't have much."

A truly effective network embraces much more than vendors and customers, though. Says Hamernik: "We have set up meetings every year with the local fire department and emergency squad and the local civil-defense director to make sure they understand our facilities. We have equipment and people scattered around in many

buildings, so they need to have some idea of what to look for if a disaster should hit during working hours." They also know the types and locations of potentially hazardous materials such as fertilizers and pesticides.

Your insurance agent should be part of your network, too. The periodic review of your coverage with the agent should focus on more than the policy's scope and size.

Restaurateur Harris suggests that you consider certain questions: "Is the agent any good? Is the company you're dealing with any good? How are they going to service you if you have a problem?"

Harris says he "had to sue the agent, the adjuster, and the carrier to get my money" because his insurer was willing to pay only half as much as two reputable contractors said would be required to repair the fire damage to Whaler's Catch.

**Make lemonade out of lemons.** "We were doing very, very well," Harris says. "My first thought was to rebuild where we were. We knew what we had at the old location." But he decided to gamble by moving to a new location in downtown Paducah. "It's been a wonderful, wonderful relocation for Whaler's Catch, no doubt about that," he says.

Bluebird Nursery has also thrived since relocating after the flood. Says Hamernik: "Don't just clean up—rebuild."

## Blue Chip Achievers

Whaler's Catch Restaurant in Paducah, Ky., and Bluebird Nursery in Clarkson, Neb., were state honorees in the Blue Chip Enterprise Initiative, which recognizes small firms that have surmounted major challenges. Whaler's Catch was honored this year and Bluebird in 1996.

The annual competition is co-sponsored

by Massachusetts Mutual Life Insurance Co., known as MassMutual—The Blue Chip Company; the U.S. Chamber of Commerce; Nation's Business; and "First Business," the Chamber's half-hour morning business-news television program sponsored by MassMutual.

For more information about the Blue Chip program or to be listed to receive a 1999 application, send an e-mail to [bluechip@nation'sbusiness.org](mailto:bluechip@nation'sbusiness.org) or call 1-800-FOR-BCEI (1-800-367-2234).

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## TRANSPORTATION

# Vehicle Leasing Via The Internet

By Julie Candler

It had to happen. With the growing pervasiveness of computers and the Internet, it was only a matter of time before vehicle-leasing companies and their business-fleet customers would begin to tap the vast system of computer networks and make leasing easier and more efficient.

Joyce Hutter, who manages the sales fleet for Hollister Inc., a medical-supplies manufacturer in Libertyville, Ill., uses FleetWeb, an Internet ordering and inquiry system from Donlen Corp. of Northbrook, Ill. Donlen was the first major leasing company to go online with such a system. Since September, Hutter has saved time by going through the Internet rather than faxing orders to lease replacement vehicles for her fleet of 120 mid-size cars.

Hutter likes the ease of clicking a mouse to find the answers to car-buying or leasing questions via FleetWeb. When she finishes an order, she says, she knows that Donlen staffers won't have to call back to clarify a point. "FleetWeb asks me all the questions upfront," she says, "and there are no problems with the technology."

Ed Bobit, CEO of Bobit Publishing Co. in Redondo Beach, Calif., and publisher of *Automotive Fleet*, a trade magazine, says the increasing use of technology is the most significant trend in the handling of fleets.

Many fleet managers prefer to order through the Internet, says Bobit, adding that "they welcome anything that unburdens them. I think the Internet's use will grow" with the expansion of Web sites offering ordering services for fleets.

David Lefever, executive director of the National Association of Fleet Administrators in Iselin, N.J., notes that "all auto companies are establishing Web sites. Fleet managers are using the Internet for tasks like filing reports [on things such as vehicle costs and mileage] and getting replacement cars."

Jim Pandilidis, manager of office services for David J. Joseph Co., a Cincinnati firm

that buys scrap metal and sells it to steel mills, finds that by using FleetWeb he has reduced his average ordering time for a leased vehicle from 30 minutes to 15. His 200-vehicle fleet includes sport-utility vehicles, pickup trucks, and cars.

Pandilidis likes the fact that he can tap into a database called DataView, provided by Donlen's electronic-commerce unit, and call up information about the vehicles at each of the company's 27 locations.

Pandilidis also can get reports on fuel consumption and repair costs per vehicle,

*Companies are ordering and managing fleets online, and vehicle manufacturers are rolling out their own leasing services for customers.*

One major leasing company, PHH Vehicle Management Services in Hunt Valley, Md., is testing PHH Interactive, an Internet ordering system slated to be launched this fall. After gaining access to the system, clients will use PHH Interactive to select new vehicles for their employees and submit the order electronically to PHH.

John Karolenko, PHH's business project manager, says: "Our Internet ordering simplifies the process. The system is set up to eliminate guessing and to guarantee that options and colors are compatible. Specifi-



PHOTO: STODD BUCHANAN

**Ordering replacement vehicles** for the leased fleet at Hollister Inc., a medical-supplies manufacturer, is as quick as a mouse click for sales-fleet manager Joyce Hutter.

make changes in driver data and account information right on the screen, check records on specific vehicles or drivers, and get a rundown on the entire fleet.

## More Web Sites To Come

Other major national leasing companies are planning to provide Internet ordering capability for their customers. Security is provided through user identifications and passwords that gain access to ordering systems and databases.

cations can be customized to the client's needs, and we include everything you need to know to order a vehicle."

Elaine Milliken, fleet and travel coordinator for Instrumentation Laboratory Co. of Lexington, Mass., a manufacturer and nationwide distributor of critical-care equipment used in hospitals, places orders via personal computer with FleetLine, a software product from PHH. Milliken, who manages 150 cars and minivans used by the company's sales and maintenance per-



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## TRANSPORTATION

sonnel, says that before she started using FleetLine, "I had to type each order, proof-read, and mail it. Now I probably save 30 to 40 minutes on each order."

"To order a replacement vehicle, I [log on] and choose the template I want to use and add the name of the person I want it delivered to," she says. "It eliminates errors because everything is in the computer."

Milliken also uses PHH's Vehicle Maintenance Plus (VMA+), a card-based system

equipment. Since Business Preferred was established nearly two years ago, Graves' financial manager, Glenn Pav, has used the plan for leasing 19 vehicles, including 10 F-150 pickups and three Econoline vans.

Under the plan, Brandon Ford, a dealership in nearby Tampa, provides many of the services that Pav otherwise might have obtained from an independent leasing company. Drivers of Graves' vehicles, which are used nationwide by employees who demon-

fleets of under 50. We are trying to be that small business's fleet consultant, and our strategy is at the dealership level."

### Replacing Old Vehicles

The Chevrolet and Pontiac-GMC divisions of General Motors are reaching out to commercial fleets with programs backed by the corporation's financing arm, General Motors Acceptance Corp.

Both divisions offer light and medium-duty trucks and vans through Commercial SmartLeases. These are closed-end leases of two to three years; when Chevrolet or GMC sells the vehicle after the lease ends, the company absorbs any loss of residual value in the vehicle.

Chevrolet dealers provide passenger cars through the program, as do GMC dealers who also sell Pontiac cars and minivans. Chevrolet's program, Commercial Specialty Vehicles, is available at 344 of the division's 4,412 dealers in the United States. GMC's Commercial Dealers Program involves 350 of the division's 2,400 dealers nationwide.

Both Chevrolet and GMC offer commercial fleets an Extended Service Plan, a service contract for up to 100,000



PHOTO: SMC FERRO

**Ford pickups and vans used by Graves Spray Supply, a spray-gun maker, are leased and serviced through the manufacturer, and Graves' financial manager, Glenn Pav, receives one bill for all costs.**

for managing vehicle repairs and maintenance. When one of her fleet vehicles needs such work, the driver calls PHH's technicians, who are on call at an 800 number around the clock to diagnose problems and authorize service. Milliken seldom has to get involved.

Milliken can download VMA+ data to her computer. The electronic reports help her manage and monitor fleet costs by providing a summary and data on each vehicle.

### Manufacturers' Programs

Another emerging trend is the movement by car and truck manufacturers and their dealers to provide consulting, leasing, and other services for fleets. Major players in this field so far are Ford Motor Co. and the Chevrolet and Pontiac-GMC divisions of General Motors Corp.

One of the first small businesses to lease cars through Ford's Business Preferred plan was Graves Spray Supply, Inc., a firm in Clearwater, Fla., that manufactures spray guns and other fiberglass-application

strate and repair the company's products, can go to any Ford dealer in the country for preventive maintenance and repairs.

All these services are provided at a commercial rate that is lower than what an individual would pay. Pav receives a monthly bill consolidating all charges nationwide.

Says Glenn Hartley, manager of Brandon Ford's commercial accounts: "About 80 percent of our customers are small businesses. We help them specify the right components for a vehicle, then we build it, handle the financing, do the paperwork, and deliver it with the vehicle."

For some of the vehicles in Graves' fleet, Pav also uses Ford's Extended Service Plan, a service contract. The plan, with coverage of up to three years and 100,000 miles, protects against having to pay for major repairs not covered under warranty.

Business Preferred was launched, according to Thomas O'Leary, Ford's local-accounts manager for North America, because "there has been new growth among small and medium-sized business markets with

miles covering repairs not covered by warranty. They also offer maintenance services.

Drivers of vehicles under the Chevrolet and GMC commercial-leasing programs can be supplied with one card for charging service and repair work and another for fuel purchases. With each, the fleet manager receives a single bill at the end of the month.

### Full-Service Leasing

In Memphis, Tenn., nexAIR, L.L.C., which distributes oxygen and industrial- and medical-use gases in a six-state area, saved money by closing its repair shop and switching to full-service leasing. The firm is among a growing number of companies that are leasing medium- and heavy-duty trucks through a manufacturer.

Mike Moses, nexAIR's fleet manager, has full-service leases on 41 Mack medium-duty Mid-Liners and 25 heavy-duty Macks through Mack Leasing System in Woodridge, Ill. The vehicles are used for transporting cylinders.

Moses likes leasing because "all your

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## TRANSPORTATION

costs are fixed," he says. "If a truck we owned went bad, the repair cost would be on that month's budget. With leasing, it's their truck and they pay for repairs and handle licensing."

Moses says that if he compared the costs of owning a truck and leasing it over six years, "at the end of that period there's probably not a big difference in the money. But there are no unpleasant surprises for me. An owner has to take care of fuel taxes and buying licenses. I can utilize the leasing company for those services. And I don't have to maintain a truck-repair shop anymore. Mack takes care of our vehicles in a garage two blocks away."

Two Dallas business owners—Pettis Norman and Lee Roy Jordan—use trucks supplied through PACCAR Leasing Corp., a division of PACCAR Inc., the manufacturer of Kenworth and Peterbilt medium- and heavy-duty trucks. PACCAR Leasing in Bellevue, Wash., has 10,000 vehicles in service.

The two business owners have more in common than the fact that they both use PAClease. Both also were pro football players during the 1960s and '70s.

Norman, a tight end for the Dallas Cowboys for nine years and the San Diego Chargers for three years, is president and CEO of Pettis Norman Industries, a fuel distributorship he founded in the mid-1960s. Jordan, a five-time Pro Bowl linebacker during 14 years with the Cowboys, is president of Lee Roy Jordan Redwood Lumber Co., Inc., a 20-year-old wholesale distributor of California redwood.

Norman's four leased Peterbilt 385 heavy-duty trucks run almost around the clock delivering fuel to north-central Texas and parts of Louisiana. Norman emblazons the trucks with a variation of the Cowboys' silver-and-blue star and, with PAClease's help, keeps them as spotless as a pre-kick-off football jersey.

"It's important that our customers and our drivers know that we take pride in what we do," says Norman. Driver morale is high, he believes, when trucks are maintained well.

Leasing is the way to go, Norman says. "We don't have to worry about labor costs for repairs and maintenance and getting people to repair the trucks. We take trucks



A benefit in leasing is that "all your costs are fixed," says Mike Moses, fleet manager at nexAIR, which distributes oxygen cylinders.

to a nearby PAClease repair facility in the evening. They fuel them up and get them ready to go out with another driver."

Operating from a lumber yard in Dallas, the three Peterbilt 378 trucks used by Jordan's company are under full-service leases and deliver within an eight-state area.

Jordan is not certain that leasing, which he started doing a year ago, will save money in the long run. But he likes not having to show the vehicles' value on his balance sheet, which has a positive effect on the company's property taxes, borrowing limits, and paperwork burden.

### Improving Logistics

For companies that lease medium- and heavy-duty trucks used in delivering products, computer technology can provide time- and money-saving connections in the supply chain.

Ryder Transportation Services of Miami is focusing on what it calls integrated logistics. The company supplies equipment, drivers, supply-chain management, warehouse and inventory supervision, and distribution-system design. In recent years, sales volume for Ryder's Integrated Logistics Division has increased 20 to 30 percent annually.

"Efficient transportation and distribution are what allow the little guy to compete with the big guy," says Ryder spokesman Dave Dawson.

A full-service lease from Ryder helps Seacoast Transport, Inc., of Narragansett, R.I., deliver 20 million pounds of fish a year. The fishing vessels of Seacoast's par-

ent company, The Town Dock, provide the seafood. After the boats arrive at the dock, Seacoast loads the catch in its Kenworth refrigerated tractor-trailers by 8 p.m. The trucks then head for major East Coast cities.

"We distribute upward of 100,000 pounds of fish within 12 to 24 hours after it reaches the dock," says Michael Haas, Seacoast's sales manager. "Our goal is to deliver to places like the Fulton Fish Market in New York City by midnight to 3 a.m. for distribution that day."

"Ryder guarantees the roadworthiness of these vehicles seven days a week, 24 hours a day," says Haas. "If there's a mishap, we call an 800 number and [Ryder's] computerized network sends help right away, because we deal with

a perishable product that has to get there on time."

Another company using leased vehicles to deliver food products is O'Laughlin Flour, Inc., of Commerce, Calif. The firm delivers 100-pound bags of flour along with sugar, salt, and packaging products to wholesale and retail bakeries, hotels, and restaurants in Southern California and Las Vegas.

O'Laughlin uses nine midsize and tractor-trailer trucks supplied by AMTRalease of Haddonfield, N.J., a 94-member network of independent truck-leasing companies and a few dealers. "We have had a long, wonderful relationship with AMTRalease since my father started in 1984," says co-owner J.J. O'Laughlin. The firm is serviced by TCI Leasing/Rentals, Inc., an AMTRalease member in Commerce.

Like its competition, AMTRalease has an 800 number. Each of its independent leasing companies operates a repair facility and can get its own or other network members' trucks back on the road quickly or supply a replacement.

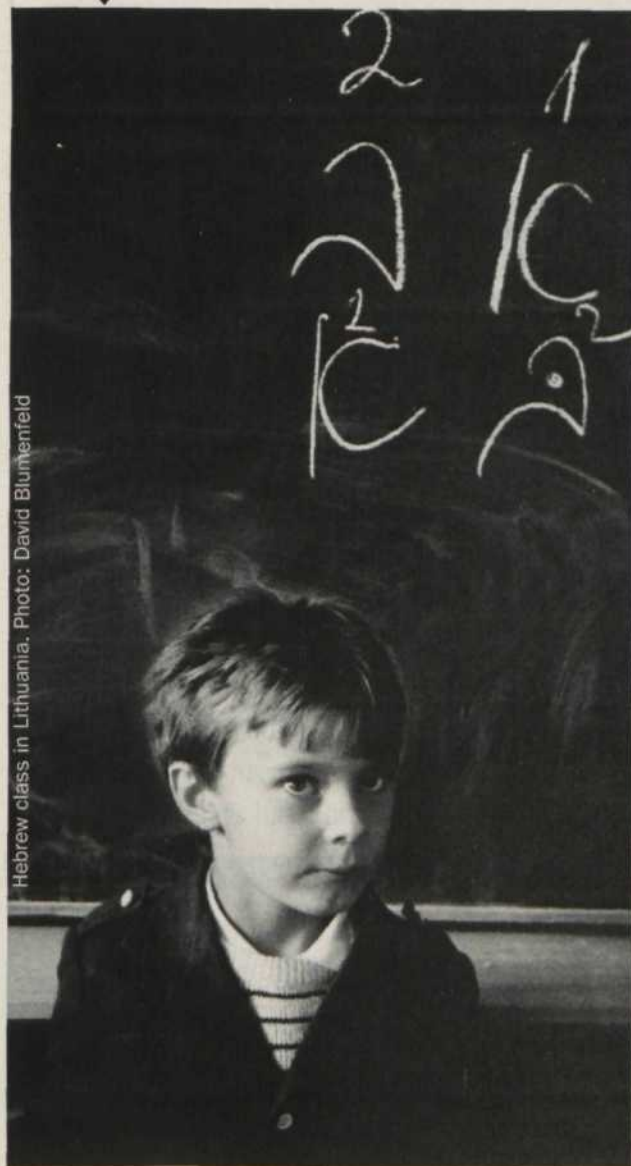
### Phone Numbers And Web Sites

For information on Ford's Business Preferred plan, call 1-800-34-FLEET (1-800-343-5338) or visit [www.fleet.ford.com](http://www.fleet.ford.com) on the World Wide Web.

For information on Chevrolet's Commercial Specialty Vehicles program, call 1-800-759-5550 or check out [www.chevrolet.com](http://www.chevrolet.com). For information on GMC commercial vehicles, call 1-800-462-8782 or visit [www.gmc.com/at\\_work](http://www.gmc.com/at_work).

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# Luxury Hardware At Budget Prices

By Tim McCollum and Albert G. Holzinger

**A**dvances in digital technology have allowed vendors to pack added power and enhanced features into office equipment such as computers, copiers, printers, and telephones while still lowering prices.

The result: Hardware that only recently was too expensive for many small companies now fits comfortably in their budgets.

Computers have led this trend. A speedy and well-equipped PC now can be purchased for less than \$2,000, with some very capable models available for under \$1,000. Moreover, once-costly items such as digital copiers and color laser printers have come down in price.

*Strides in digital technology have allowed manufacturers to pack small-office products such as computers, copiers, and telephones with power while still lowering prices.*

This price trend is occurring as advanced features developed for high-end products have begun to trickle down into lower-priced models. Also, the explosive growth of the small-business market has motivated vendors to push advanced technologies out to small companies faster and cheaper.

Following is a three-section guide to the latest office equipment for small companies. Computing covers desktop computers and monitors. Imaging reports on copiers, digital cameras, multifunction devices, printers, and scanners. Communications details fax machines and phones.



## Computing

*Never before have personal computers been so powerful yet so affordable for small companies.*



Last summer, Intel Corp. introduced an innovative new processor, which the Santa Clara, Calif., firm named the Pentium II. It performs most computing tasks markedly faster than the Pentium MMX chips previously considered state-of-the-art in personal computers that run under the Windows 95 operating system from Microsoft Corp. of Redmond, Wash. (MMX stands for multimedia extensions, which enhance processing of graphics-laden files.)

Nowadays, PCs featuring Pentium IIs—depending on the PC's speed and fea-

tures—cost \$1,200 to \$3,000 without a monitor, or about the same as business-oriented Pentium MMX systems cost a year ago. Systems incorporating the older but still highly regarded Pentium MMX processors or the competing K6 chips from Advanced Micro Devices Inc. of Sunnyvale, Calif., cost less than \$1,000 without a monitor.

In short, small-business owners have never been able to purchase so much computing power at such low prices.

But purchase price is only part of the cost consideration in buying a computer.

Gartner Group, a technology consulting firm in Stamford, Conn., estimates that purchasing, equipping, and maintaining a business PC attached to a network costs an average of \$9,869 a year.

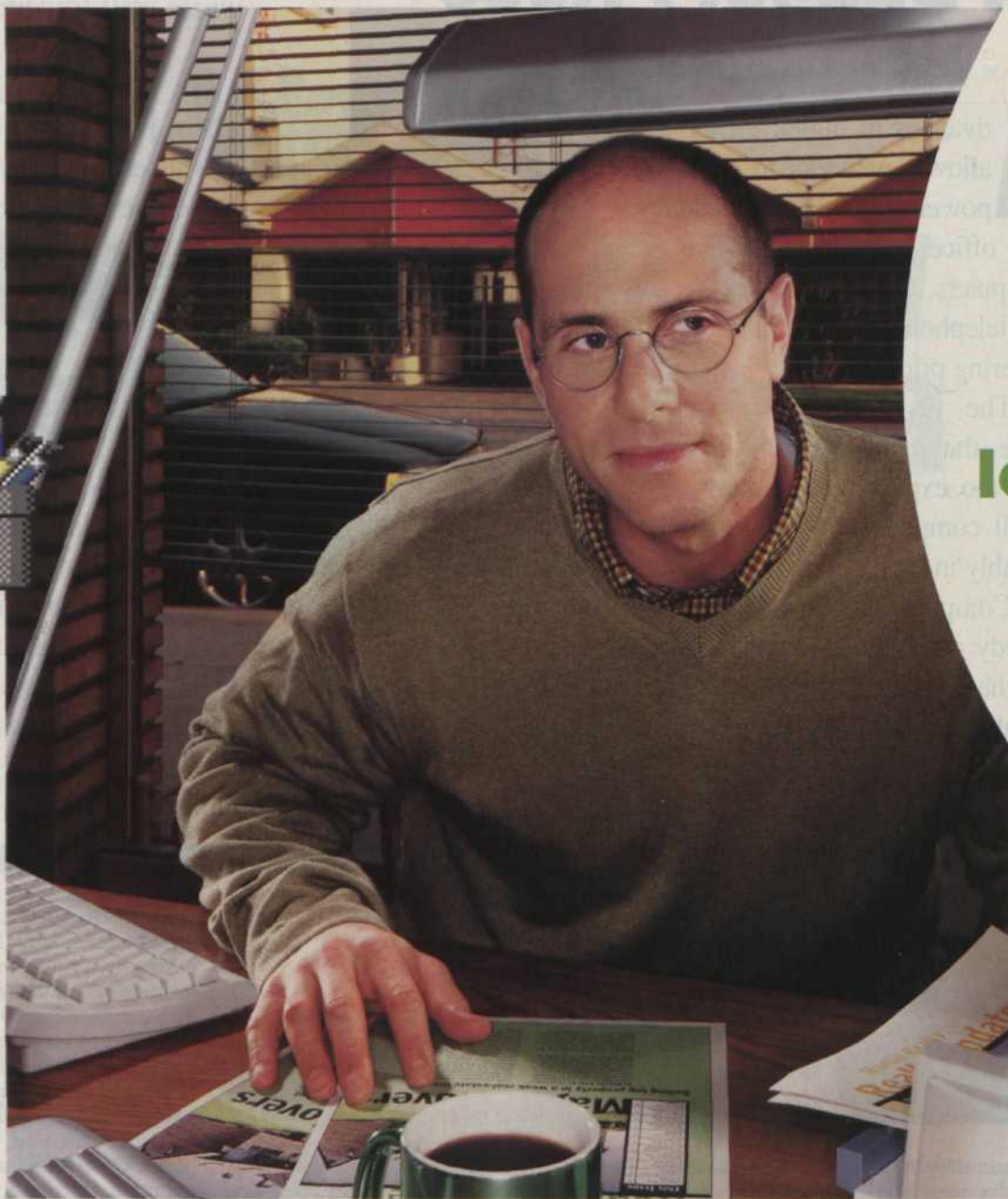
Pushed by corporate technology buyers, vendors are trying to lower this total cost of ownership by equipping new PCs with so-called manageability features, such as software tools that make the computers easier for technicians to trouble-shoot and maintain. Of course, these features benefit small-business buyers, too.

Also noteworthy is the fact that a growing number of computer vendors have designed a line of PCs with small-business customers in mind. These machines generally include a 233-megahertz (MHz) or faster Pentium II processor, 32 megabytes (MB) of memory to allow concurrent operation of several programs, and at least 2 gigabytes (GB) of hard-disk space for abundant file storage.

Fast CD-ROM drives are standard in

# Luxury Hardware At Budget Prices

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## SPECIAL REPORT ON TECHNOLOGY

most models, and some come with spacious 17-inch monitors and built-in modems of 56 kilobytes per second (Kbps) for effective communication.

The following section describes some of these PCs. Unless indicated otherwise, all prices for PCs are without a monitor.

## Computers

### AST Bravo EL Series

The new Bravo EL desktop computers feature 233MHz and 266MHz Pentium II processors. But the small-business line's distinguishing feature is its Universal Manageability Solution software suite, which makes it easier to find and fix problems.

Standard Bravo EL systems come with 32MB of memory, 3.2GB hard drives, and accelerators that speed up the display of three-dimensional (3-D) graphics. CD-ROM drives are optional on most models.

Retail prices start at \$1,300.

### Compaq Deskpro 2000 SBE Series

Compaq's first small-business line, the Deskpro 2000 SBE series, combines robust computing power with excellent productivity software.

Systems range from a 166MHz Pentium MMX processor in the entry-level system to a 300MHz Pentium II chip in the high-end model.

All come with fast CD-ROM drives and 2.4GB or 4.3GB hard drives. The Pentium II models feature 3-D graphics accelerators.

These Deskpros include "intelligent manageability" software that allows them to be worked on over a computer network and alerts network managers about many potential problems before they happen.

Prices at retail stores or direct from Compaq start at \$1,399 with a 15-inch monitor.

### Dell OptiPlex GXa Series

Small firms will get great performance from these powerful Pentium II-based systems. OptiPlex GXa models are available with a 266MHz, 300MHz, or new 333MHz Pentium II processor plus an array of enhancements for handling 3-D graphics, full-motion video, and sound. These PCs are available with

15-, 17-, or 20-inch monitors and 12- or

Dell OptiPlex GXa

24-speed CD-ROM drives.

OptiPlex GXa systems have Ethernet cards for connecting them to computer networks. Manageability tools include software that allows network managers to boot up the PC remotely to fix software problems, perform routine maintenance, or install programs.

Prices direct from Dell start at \$1,840, including the 15-inch monitor.

### Gateway 2000 Destination DMC

Gateway's Destination systems are designed for making presentations, video-conferencing, exploring the Internet, or performing other computing tasks in a group setting.

The most prominent features of the D6-333XL, the high-end model most suitable for business, are an enormous and excellent 36-inch monitor/television receiver and a superb Harman-Kardon audio system.

At the heart of the system is a Gateway PC powered by a 333MHz Pentium II processor and including 64MB of memory, an 8.4GB hard drive, a 56Kbps data/fax modem, and every multimedia performance enhancement imaginable. Also included are a wireless keyboard and mouse.

The price direct from Gateway is \$4,999.

### Hewlett-Packard Brio Series

The small-business PCs in HP's Brio line have features designed to make them easy to use and maintain.

For example, Brios include a software tool that helps with the linking of as many as 20 computers equipped with optional network cards, enabling users to share



Gateway 2000  
Destination DMC

files and peripheral devices such as printers, CD-ROM drives, and modems. Brios also come with an on-screen command center—a box that functions as a control panel for gaining access to the PC's features, using modems for faxes and Internet access, and trouble-shooting.

Under the hood, Brios have Pentium II processors of up to 333MHz or Pentium MMX processors as fast as 233MHz. Most models feature 4GB hard drives, 32MB of memory, 24-speed CD-ROM drives, and speakers. They also include keyboards with buttons that launch modem calls and frequently used software applications.

Retail prices start at \$849.

### IBM PC 300GL

Manageability features are at the core of IBM's small-business PC. The PC 300GL comes with IBM's Netfinity and Wake On LAN technologies, which allow a technician to power up a system from a remote location on a local area network to perform diagnostic checks or routine maintenance.

To prevent problems, the 300GL includes an anti-virus program and IBM's Smart Reaction software. The latter program warns of an impending hard-drive failure and backs up data so that it is not lost.

The PC 300GL comes with up to a 333MHz Pentium II processor and with 32MB of memory, a 2.5GB hard drive, and a fast graphics accelerator.

The prices at retail stores or direct from IBM

start at \$1,192.

IBM PC 300GL



### Micron Millennia XKU Series

The Pentium II-based Millennia XKU systems provide souped-up performance at

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AST Computer, 1-800-876-4278, [www.ast.com](http://www.ast.com)

Compaq Computer Corp., 1-800-345-1518, [www.compaq.com](http://www.compaq.com)

Dell Computer Corp., 1-800-999-3355, [www.dell.com](http://www.dell.com)

Gateway 2000 Inc., 1-800-846-4208, [www.gateway2000.com](http://www.gateway2000.com)

Hewlett-Packard Co., 1-800-752-0900, [www.hp.com/go/brio](http://www.hp.com/go/brio)

IBM Corp., 1-800-426-2968, [www.pc.ibm.com](http://www.pc.ibm.com)

Micron Electronics Inc., 1-800-209-9686, [www.micrompc.com](http://www.micrompc.com)

Packard Bell NEC Inc., 1-888-863-2669, [www.necnow.com](http://www.necnow.com)

Philips Electronics North America Corp., 1-800-835-3506,

[www.philipsmonitors.com](http://www.philipsmonitors.com)

Samsung Electronics America Inc., 1-800-933-4110, [www.sosimple.com](http://www.sosimple.com)

Toshiba America Information Systems Inc., 1-800-334-3445, [computers.toshiba.com](http://computers.toshiba.com)



competitive prices. These PCs are available with either a 266MHz, 300MHz, or 333MHz processor, 32MB of memory, and a hefty 6.4GB hard drive.

Multimedia features include a 32-speed CD-ROM drive, built-in audio and external speakers, and exceptional video display capabilities.

The Millennia XKU also comes with a 56Kbps data/fax modem and an internal Zip drive from Iomega Corp that's ideal for backing up important files.

The prices direct from Micron, including a 17-inch monitor, start at \$2,249.

### NEC PowerMate Enterprise II Series

With NEC's Pentium II systems, it's a snap to maintain both hardware and software. Upgrading the memory or processor is as easy as snapping open the back of the case and pulling out the main system board, which is on rollers. No tools are required.

PowerMate Enterprise II systems come with backup, anti-virus, diagnostic, and management software, allowing the PCs to be maintained remotely by a network manager or a consultant.

The PCs themselves feature 233MHz, 266MHz, or 300MHz Pentium II processors with accelerated graphics, a 3.2GB hard drive, 32MB of memory, and a 24-speed CD-ROM drive. Audio and Ethernet networking capability are built into the motherboard.

Retail prices start at \$1,749.

### Toshiba Equium 7000S Series

Toshiba's new business systems take the worry out of maintaining and using PCs.

Equiums come with desktop-management software that allows technicians to maintain or service the system over a computer network and "intelligent" help software that detects and fixes many common problems.

To add memory or perform hardware maintenance, users just push a lever, open the case, and slide the main system board out on rollers. No tools are required.

Equium 7000S PCs feature Pentium II processors running at up to 300MHz, 32MB of memory, a 24-speed CD-ROM, fast 3-D video, and an optional keyboard with programmable function keys.

The PCs are designed to be placed on a desk, positioned on the floor, or mounted on a wall or under a desk.

Retail prices start at \$1,229.



**Toshiba Equium 7000S**

## Monitors

### NEC MultiSync E700

NEC's MultiSync E700 17-inch monitor has 15.6 inches of viewable area, allowing the user to see more of the program open on the screen. And the display technology has been enhanced to provide greater image quality, with brighter colors and more depth.

With NEC's screen-management software, the MultiSync E700 enables the user to adjust image size, brightness, and colors. Retail price: \$599.

### Philips Brilliance 4500AX

Although flat-panel displays such as the 4500AX still boast prices of \$1,500 or more, it's hard to go back to a conventional boxlike desktop once you've experienced the image quality of a new thin, digital liquid-crystal display (LCD).

The Philips Brilliance 4500AX is a high-resolution flat



**Philips Brilliance 4500AX**

screen that brings out the best in graphics and multimedia content. Unlike cathode-ray tubes, the Philips 14.5-inch active-matrix display uses its entire screen for images, which appear clearer, more vibrant in color, and flicker-free.

The Brilliance 4500AX comes with built-in speakers and a built-in microphone, making it ideal for videoconferencing. Included software automatically sets up the monitor and allows the user to adjust image size and quality from the PC.

Retail price: \$1,699.

### Samsung 700Up

Following in the footsteps of PCs, monitors now are getting universal serial ports—known as USBs—which allow easy connections to USB-compatible devices such as keyboards, scanners, and printers. Samsung's 700Up monitor is a 17-inch display with a built-in USB that allows it to connect up to 127 compatible peripherals to a PC.

As a monitor, the 700Up has a large, 15.7-inch viewable area and a high 75-hertz screen-update rate, which reduces screen flicker to ensure the consistency of the image and reduce eye fatigue. New display-control software allows the user to adjust screen settings.

Retail price: \$799.

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## SPECIAL REPORT ON TECHNOLOGY



# Imaging

*Imaging devices also are gaining new features and declining in price. Some do more than one thing—printing and scanning, for example.*

Like personal computers, imaging devices are improving in quality even while they're dropping in price.

Inexpensive inkjet printers now provide color output of nearly photographic quality and yield crisp black-and-white output as well. And these printers are being challenged in the marketplace by color laser printers, some of which are inching down toward the \$1,000 price level.

On the input side, good flatbed scanners with related optical-character-recognition (OCR) software now are available for less than \$200. Digital cameras have become much better and generally cheaper, too, with models starting at around \$250.

Another continuing trend in imaging products is their ability to do more than one thing. Multifunction devices with some combination of printing, copying, fax, and scanning capabilities are becoming ever more popular among small firms that want a single compact product capable of filling their imaging needs. Larger offices increasingly are adopting laser "mopiers," which combine printing and copying functions. The following section lists some of the hottest new imaging products.

## Copiers

### Canon PC 745

The PC 745, with a recommended maximum monthly volume of 1,500 copies, is designed for the black-and-white copying needs of home offices or very small businesses.

The desktop copier churns out 10 letter-size or nine legal-size copies per minute from its convenient, 250-sheet, front-loading tray. To ease servicing, virtually all of the components that can run out or wear out—including the toner—are contained in one easy-to-replace unit. The PC 745 sports an array of basic features, including enlargement/reduction of originals, instant warm-up to reduce waiting time, and automatic shut-off to save energy.

Retail price: \$649.



Canon PC 745

### Mita DC-2360

This desktop copier is a workhorse, with a recommended maximum monthly volume of 30,000 copies, and it offers features usually associated with larger, more expensive black-and-white units. For example,

the DC-2360 yields a brisk 23 copies per minute from its three paper sources, whose total capacity is 1,150 sheets. And it automatically senses the size of the original, chooses the correct copy-paper size, and, if necessary, selects a reduction or enlargement setting. Many stapling and sorting units and other options are available.

Retail price: \$4,995.



Mita DC-2360

### Panasonic FP-7715

This small-office copier of desktop size has a 250-sheet paper drawer and a recommended maximum monthly volume of 10,000 copies. The FP-7715 turns out 15 black-and-white copies per minute. It includes the usual features—enlargement and reduction, for example—along with several unusual ones, such as the ability to remove the black background when checks or other small items are being copied while the copier's cover is open.

Retail price: \$2,900

### Sharp AR-5132 Digital Copier-Printer

With its new network capabilities, Sharp's AR-5132 doubles as a stand-alone copier and work-group laser printer. Sharp has done this by making the black-and-white copier available with optional controllers that connect it to a computer network. PC users can print—on one or both sides of a page—multiple copies of documents and have them collated and stapled. The AR-5132 copies or prints at 32 pages per minute.

Retail prices start at \$10,765.

### Xerox Document Centre 220ST

This document-management workhorse

does it all for companies that need a truly digital office. With the Document Centre 220ST digital copier-printer, the user can copy, print, fax, and scan black-and-white documents over a computer network from a PC.

The 220ST prints and copies 20 pages per minute. It features technology that speeds up the process of printing multiple copies of documents and allows users to control precisely when a document is printed.

It also has a built-in World Wide Web server that allows users to submit jobs to the 220ST from a local PC or remotely over the Internet using a Web-page interface.

Retail prices start at \$11,595; the fax option is \$1,995.

## Digital Cameras

### Canon Optura

The Optura is a remarkable device that functions at a high level both as a digital video camera and as a still-frame digital camera. In the camera's normal movie mode, images recorded through the 37.4-mm to 1,309-mm autofocus zoom lens are sharp, their colors vivid. Moreover, Canon's optical stabilization system corrects camera shake, so even scenes shot at full telephoto appear smooth and steady.

A distinguishing feature of the Optura is its digital motor-drive mode. Using this setting, you can take digital still pictures at up to 30 frames per second—about three times faster than the motor drives on professional 35-mm still cameras.

Retail price: \$2,699.

### Kodak DC 210 Zoom

This handy little camera makes taking digital pictures as easy as pointing and shooting. A built-in autofocus zoom lens lets users take close-up shots of distant subjects. You can preview your pictures and review them using a small color liquid-crystal display (LCD) panel.

The DC 210 stores up to 60 pictures on a removable 4MB memory card. Users transfer images to their desktop PC via a cable that comes with the camera or to their laptop by sliding the camera's memory card into the computer's standard PC-card slot. Images also can be viewed on a television through the use of a video-out feature.

Retail price: \$899.

### Olympus D-600L

Olympus' top-of-the-line digital camera is for seri-



Olympus D-600L



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ous business photographers who demand professional-quality results. The D-600L features an autofocus three-power zoom lens of 36-mm to 110-mm focal lengths; a reflex-type, through-the-lens viewfinder; and the ability to capture images at high resolution (1,280 by 1,024 pixels).

The D-600L stores up to 50 images on its removable memory card. Images are downloaded to a computer using either an included cable or a PC-card slot.

Retail price: \$1,299.

## Multifunction Devices

### Brother MFC-7000FC

Brother's MFC-7000FC inkjet prints, copies, and scans color as well as black-and-white documents.

It also does conventional plain-paper and PC faxing. And it features a digital answering system that stores voice and fax messages and allows users to retrieve both remotely.

In addition to paper and messages, the MFC-7000FC can capture and print—at five pages per minute in monochrome and three pages per minute in color—video images from a VCR, camcorder, or digital camera at 720-dots-per-inch (dpi) resolution.

It's shipped with software tools—including Xerox TextBridge OCR and Visioneer PaperPort—for creating and managing documents.

Retail price: \$799.

### Hewlett-Packard OfficeJet 610

The OfficeJet 610 prints, copies, and scans in color, too. Its 600-dpi inkjet printer pro-

duces two color pages or five monochrome pages per minute on plain or glossy paper, transparencies, labels, and envelopes. As a copier, it can enlarge and reduce images and collate multiple copies.

For scanning, the OfficeJet 610 comes with Caere OmniPage OCR and Corel Print & Photo House Select photo-design software.

The fax sends and receives at 14.4Kbps, stores up to 65 pages in memory, and supports automatic redialing and up to 50 speed-dial numbers.

Retail price: \$499.

### Okidata OkiOffice 44

The OkiOffice 44 is a multifunction device for those who don't need color capabilities. It features a light-emitting-diode (LED) printer that prints or copies black-and-white text of near-laser-printer quality at four pages per minute.

The OkiOffice 44 also features a 200-by-400-dpi scanner and a 14.4Kbps conventional and PC fax. The device comes with software called JetSuite, which allows the user to control its functions and settings from a PC.

Retail price: \$599.

### Xerox WorkCentre 450c

The WorkCentre 450c boasts features comparable to those found on more expensive competitors.

The device consists of a printer base and a scanner



Xerox WorkCentre 450c

that sits atop it. The 600-dpi inkjet printer yields four black-and-white pages or one color page per minute, though it is somewhat slower when used as a copier.

The 300-dpi scanner can be detached for processing bound pages. And the 450c incorporates a wide range of conventional and PC faxing capabilities at 14.4Kbps. The attractive device ships with an assortment of useful software, including Xerox's TextBridge Pro for OCR and Pagis Pro for document management.

Retail price: \$550.

## Printers

### Apple LaserWriter 8500

The latest in Apple's venerable LaserWriter line is a solid work-group laser printer for PCs as well as Macs. The LaserWriter 8500 prints 20 black-and-white pages per minute and is capable of making high-quality large-format prints up to ledger size.

Its print driver is based on Adobe's new Postscript 3 printing system, which improves upon the output speed and image quality of printers using the earlier Adobe Postscript 2.

The LaserWriter 8500 can be attached to a computer network and comes with software that allows users to print over the Internet from remote locations.

Retail price: \$2,500.

### Canon BJC-5000

The key features of Canon's BJC-5000 inkjet are enhanced color and faster printing compared with previous Canon models. This seven-color printer comes with a photo-ink cartridge for printing photographs on glossy stock.

In addition to color fidelity, Canon is tackling one of the biggest problems with inkjet printers: their glacial printing speed. Like many inkjets, the BJC-5000 has dual printing cartridges—one for color and one for black. If two cartridges of the same type are installed, each one will print half of each page, increasing copy output speed by 25 percent—to 7.5 pages per minute for black-and-white pages or three pages per minute for color.

Retail price: \$299.

### Epson Stylus Color 800

Epson has turned color printing up a notch with the Stylus Color 800 inkjet, which prints high-resolution (1,440-by-720-dpi) color documents at seven



Epson Stylus Color 800

## For More Information

Apple Computer Inc., 1-800-538-9696, [www.imaging.apple.com](http://www.imaging.apple.com)

Brother International Corp., 1-800-521-2846, [www.brother.com](http://www.brother.com)

Canon Computer Systems Inc., 1-800-848-4123,

[www.ccsi.canon.com](http://www.ccsi.canon.com) (camera, printer)

Canon U.S.A. Inc., 1-800-652-2666, [www.usa.canon.com](http://www.usa.canon.com) (camera, copier)

Eastman Kodak Co., 1-800-235-6325, [www.kodak.com](http://www.kodak.com)

Epson America Inc., 1-800-463-7766, [www.epson.com](http://www.epson.com)

Hewlett-Packard Co., 1-800-752-0900, [www.hp.com](http://www.hp.com)

Lexmark International Inc., 1-800-539-6275, [www.lexmark.com](http://www.lexmark.com)

Minolta Corp., 1-888-264-6658, [www.minoltaprinters.com](http://www.minoltaprinters.com)

Mita Copystar America Inc., 1-800-222-6482, [www.mita.com](http://www.mita.com)

Okidata, 1-800-654-3282, [www.okidata.com](http://www.okidata.com)

Olympus America Inc., 1-800-347-4027, [www.olympus.com](http://www.olympus.com)

Panasonic Communications & Systems Co., 1-800-742-8086,

[www.panasonic.com/office](http://www.panasonic.com/office)

Sharp Electronics Inc., (201) 529-9600, [www.sharp-usa.com](http://www.sharp-usa.com)

Umax Technologies Inc., 1-800-562-0311, [www.umax.com](http://www.umax.com)

Visioneer Inc., 1-800-787-7007, [www.visioneer.com](http://www.visioneer.com)

Xerox Corp., 1-800-275-9376, [www.xerox.com](http://www.xerox.com)

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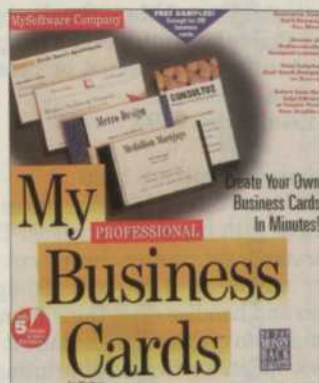
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pages per minute. The printing head on the Stylus Color 800 produces truer color for graphics and photos and better-quality black text than most inkjets.

It also can reproduce photos without using special photo ink. It supports Adobe Postscript 2 print output and has drivers for both PCs and Macs. Small work groups can share the printer over a computer network using its Ethernet or LocalTalk interface option.

Retail price: \$399.

### Lexmark Optra S 1620

The Optra S 1620 is a good choice for small offices with big printing needs. The monochrome laser printer churns out 16 pages per minute at 1,200-by-1,200-dpi resolution and handles everything from text documents to graphical materials. It has a duplex option for two-sided printing. There's a version that connects directly to a computer network.

Retail price: \$999.

### Minolta Color PageWorks PS

The Color PageWorks PS is a monster printer at an extremely manageable price.

The device enables PC and Mac users alike to produce sharp (600-dpi) black-and-white documents at 12 pages per minute and vibrant color prints at three pages per minute.

The rugged Color PageWorks is built for heavy use across a computer network. It



Minolta Color PageWorks

supports Adobe Postscript 2 print output and features paper trays for 250 sheets and 150 sheets, along with 20MB of memory.

Retail price: \$3,999.

## Scanners

### Hewlett-Packard ScanJet 6100Cse Professional Series

This flatbed scanner is designed for small businesses with serious document-imaging needs.



HP ScanJet 6100Cse

The ScanJet 6100Cse can scan documents quickly and process images at 7.5 pages per minute.

To maintain high fidelity, the scanner also adjusts the color and scale of images automatically to match closely those in the original document. The 6100Cse can scan books, legal-size documents, and—with a special adapter—even slides.

Tools that come with the scanner include Caere OmniPage OCR software, Corel Web Graphics Suite for posting animated images on the Web, and Adobe Acrobat, which allows users to publish documents online in their original format.

Retail price: \$799.

### Umax Astra 610S

Price-sensitive entrepreneurs will like Umax's Astra 610S flatbed scanner. This inexpensive and compact scanner can

scan text, graphics, and photos in 30-bit color at 300 by 600 dpi, and it matches the color, brightness, and shape of images with the original document or picture automatically.

The Astra 610S comes bundled with Adobe PhotoDeluxe photo-editing software, NewSoft's Presto! PageManager document-management and OCR software, and a proprietary copy utility from Umax that allows the scanner to copy documents to a printer.

Retail price: \$149.

### Visioneer PaperPort OneTouch

The OneTouch is not so much a flatbed scanner as an intelligent document-management solution.

The 36-bit-color, 600-by-1,200-dpi device's distinguishing features are the buttons on its face.

The Scan button sends an image of any document or photo to Visioneer's highly acclaimed PaperPort document-management software, which Visioneer includes with the scanner.

The Copy/Print button directs any printer to output one or multiple copies of a scanned document or photo.

The Fax button launches any fax-sending software installed on the user's PC and alerts the computer's modem that a job is coming.

And the Custom button can be programmed to launch any installed application. For example, you can program the Custom button to run Visioneer's excellent OCR software, also included with the scanner, and send the resulting document to Microsoft Word or another word-processing program for editing.

Retail price: \$249.



## Communicating

*Small businesses now can choose from a wide variety of products in meeting their growing communications needs.*

In today's fast-paced business world, small firms must be prepared to handle a flood of communications from business partners, employees, and, of course, customers.

Fortunately, small businesses can choose from a variety of telecommunications products to keep them connected. Old standbys such as basic wired telephones, analog answering devices, and thermal-paper fax machines are sufficient to meet the needs of some small businesses. But most could benefit from an investment in today's greatly enhanced phones and

faxes. Following is a sampling of current communications tools for small firms.

## Fax Machines

### Mita LDC-780 Laser Fax

The LDC-780 is a serious fax machine; add a PC interface, and it's also a 400-dpi laser printer and document scanner.

Speed is a key feature of this high-end model from Mita. Place up to 50 pages on the machine's document feeder, and it

scans them into memory at the lightning-fast rate of two seconds per page. Then it faxes the memorized pages to the intended recipient as fast as three seconds each, thanks to the LDC-780's 33.6Kbps modem.

Other convenient features include a 250-sheet paper tray; automatic reduction of large-format incoming documents to one letter-size page; and automatic collation of incoming multi-page documents.

Retail price: \$2,695.

### Panasonic UF-770i Internet Fax

Faxing over the Internet is becoming a popular low-cost alternative for



Panasonic UF-770i

companies that send faxes long distances. Panasonic has enhanced its UF-770 laser fax machine, enabling it to connect to a company's Internet service provider and send a fax to someone over the Internet. Rather than dial a phone number, users merely enter an e-mail address on the machine's keypad. The UF-770i also allows users to print out faxes received over the Internet just as they would normal faxes. Of course, the machine also can send and receive faxes over the standard telephone network.

Retail price: \$4,695.

## Phones

### Casio CP-760 Two-Line Cordless Phone

The CP-760 is ideal for home offices with both residential and business telephone lines—and for users who often need to stray from their desks.

One of the handiest features of this 46/49MHz, 25-channel cordless phone is its display of a second caller's name and phone number on the handset liquid-crystal display while the primary call is in progress. (This feature requires a subscription to Type 2 Call Waiting Caller ID service.) Other convenient features include Display and Dial, which allows one-touch redialing of the most recent 75 incoming callers, and the ability of the handset and base unit to send pages and intercom messages to each other.

Retail price: \$139.

### CIDCO CST 2100

The CST 2100 is a phone for phone aficionados.

Among its numerous niceties are a giant, fluorescent, backlit LCD; function keys for accessing stored phone numbers, recent callers' phone numbers, context-sensitive help information, and more; hold, mute, speakerphone, and volume-control buttons; and a light that flashes when a call is coming in or a message is waiting.

A keyboard for convenient entry of

phone directories and e-mail messages is optional.

Moreover, the CST 2100 enables users to access ADSI (analog display services interface) services from a growing number of vendors.

ADSI enables transmission of data across standard phone lines, and service providers use this capability to provide subscribers with visual voice mail (messages converted to text), e-mail, stock quotes, home banking, and more.

Retail price: \$249.99.

### Sony SPP-SS960 Cordless Phone

This cordless phone provides down-the-block range and remarkable voice clarity through its adoption of 900MHz digital spread-spectrum technology. (Conventional cordless phones use the more interference-prone range below 49MHz; spreading the spectrum of transmission generates more power and, thus, more range.)

The SPP-SS960 also incorporates numerous convenience features, including one-button redialing of the 20 most recent incoming callers or of up to 50 stored telephone numbers.

Retail price: \$229.

### Uniden E-mail Phone EP 200

Uniden's E-mail Phone is a cordless office telephone with a built-in modem that automatically retrieves e-mail from a user's Internet service provider.

Users compose and read e-mail on a keyboard and screen built into the phone's base unit. E-mail Phone can store up to 2,500 e-mail messages. In addition, the phone's voice features include caller ID, speakerphone, and address book for phone numbers and e-mail addresses.

Retail price: \$349.



CIDCO CST 2100



Casio CP-760



Sony SPP-SS960

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**Casio Phonemate Inc.**, (310) 618-9910, [www.casiophonemate.com](http://www.casiophonemate.com)  
**CIDCO Inc.**, (408) 779-1162, [www.cidco.com](http://www.cidco.com)  
**Mita Copystar America Inc.**, 1-800-222-6482, [www.mita.com](http://www.mita.com)  
**Panasonic Office Products Co.**, 1-800-742-8086, [www.panasonic.com/office](http://www.panasonic.com/office)  
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## MANAGING

# Coaching The Women's Team

By Sharon Nelton

**T**ens of thousands of savvy women entrepreneurs are taking advantage of a gem of a nationwide program: the free small-business counseling services offered by the Service Corps of Retired Executives (SCORE) Association.

Without her SCORE counselors, "I wouldn't be here," says business owner Lindsay H. Frucci of Elkins, N.H. "There's absolutely no way I could have accomplished what I have accomplished without them."

Frucci started No Pudge! Foods, Inc., which makes fat-free brownie mixes, in 1995. Even before launching the company, she turned to the nearby SCORE chapter in Lebanon, N.H., for guidance.

She was assigned to two counselors, Robert Y. Fox of Hanover, N.H., who was a vice president and associate general counsel of General Foods, and Jason K. "Jay" Albert of Thetford Center, Vt., a former small-business owner and president of a specialty-food company. They have worked with Frucci as a team, meeting with her in two-hour sessions about 50 times over nearly 3½ years.

"They taught me everything from the ground up," says Frucci, 46, whose company, a home-based enterprise, brought in more than \$250,000 last year, its second full year of business.

"The big thing we helped her accomplish was to get this business started without spending a great deal of money," says Fox. Instead of doing the manufacturing herself, for example, Frucci took her counselors' advice and found another company to make the mixes.

In addition, Fox and Albert guided her through getting a line of credit at the bank, doing a trademark search, registering her company name, setting up her corporate structure, finding distribution channels for her products, and helping her with all the

other tasks associated with starting a business. "They both brought just volumes of knowledge, just amazing knowledge," says Frucci.

## Advice From The Start

A nonprofit association, SCORE was formed 34 years ago to provide education for entrepreneurs and to encourage the formation and success of small companies. Headquartered in Washington, D.C., it is

*A free, SBA-sponsored counseling program helps guide entrepreneurs to success—and nearly half its clients are women.*

last year, says W. Kenneth Yancey Jr., SCORE's executive director. Forty-nine percent of SCORE's clients are women.

In keeping with the growth of women's business ownership, SCORE has been trying to raise the percentage of its women counselors since the early 1990s. Women now account for 12.5 percent of SCORE's members, up from 9 percent in 1992.

"We have been trying to increase that number, and I'll be real honest, I'm not



PHOTO: RICHARD HOWARD

**Brownie-mix maker** Lindsay H. Frucci, owner of No Pudge! Foods, says she "wouldn't be here" if she hadn't been advised along the way by SCORE counselors Jason K. "Jay" Albert, left, who used to own a small business, and Robert Y. Fox, a former executive of a major food-industry corporation.

sponsored by the U.S. Small Business Administration.

Through SCORE, more than 12,000 retired and active business owners and executives serve as volunteer counselors, offering advice on topics such as writing a business plan, managing cash flow, and obtaining capital. There are 389 SCORE chapters and 450 additional branch locations around the country.

About 300,000 entrepreneurs received counseling or attended SCORE workshops

pleased with the results to date," says Yancey. SCORE is aiming to boost the proportion of women counselors to 25 percent of its membership by 2000.

Why do women make up such a small proportion of SCORE volunteers? One conjecture is that because women have been prominent in the business world for a relatively short time, there's a commensurately smaller number of them who are retired or are seasoned entrepreneurs or executives.

"I'm not going to sit here and say that

that's a cop-out, but it's real close," says Yancey. He believes that there are women "out there" who can be recruited for SCORE. "We just need to look a little harder."

### Working Relationships

Though women business owners may have relatively few women counselors to whom they can turn, they can and do work successfully with male counselors.

"Sometimes it's easier working with women because they tend to listen to you better," says Fox. "We counsel, we advise, we suggest. We don't tell people 'do this' or 'do that.' But women tend to take our suggestions very well, I've found." Men, he says, tend to believe that they "don't really need all this stuff."

Says Albert: "A lot of times, we run into women who have a little less self-confidence, perhaps because their prior background and experiences and even culture might be a little different from those of men. But the [business] problems are the same, and the solutions are basically the same, too."

April L. Loughheed already had a business plan in hand when she sought help from the Indianapolis SCORE chapter two years ago. Her goal was to start a company that would design World Wide Web sites for clients and provide them with marketing strategies for using the Web. SCORE linked her with William V. Bell, a retired senior vice president of Indiana Gas Co.

"He encouraged me so much, and I felt like it was such an objective, credible source of encouragement that I felt so much better about going on with [the business]," says Loughheed, 42. She has since launched LockHeed Guidance, Inc., from her home in Fishers, Ind. (The company's name is taken from the pronunciation of Loughheed's name.) Bell has helped her to determine which potential clients to go after and to develop a strategy for advertising and public relations.

At Bell's suggestion, she got her company's name out by writing an article for the *Indianapolis Business Journal*. "It's amazing how many people saw that and called me," she says. She also landed an appearance on a local television business show.

Here are some tips from business owners and SCORE staff members and counselors for getting the most out of SCORE:

**Don't wait.** Seek SCORE's help before you take steps that might become expensive mistakes. "We have too many people coming to us who have already signed leases and bought things," says Fox. "They shouldn't do that until they've got their business plans ready and their cash-flow projections lined up."

Now and then, people are already in

trouble when they go to SCORE. "We work hard to try to get them out of it, but sometimes that's not possible," says Fox, who has counseled about 70 business owners since joining SCORE six years ago.

### Be choosy.

If the first SCORE counselor assigned to you does not seem right for you or if you are uncomfortable with the person, ask to be assigned to someone else.

"People need to go in and almost interview the counselor," says Frucci. "If they're hooked up with someone they're not comfortable with, they need to be free to say, 'Is there someone else within this SCORE office that you think might be suited to what it is I'm trying to do or that might have experience in the business I'm in?'"

Frucci says her first contact at SCORE was a man who treated her condescendingly, reminding her that she was a mother of two and observing that starting a business might conflict with family life. Fortunately, he steered her to Fox, with whom she has developed a successful counseling relationship.

"The goal is to fulfill the need that the client has," says Yancey. "If there's a personality conflict, if you don't like their hairdo, it doesn't matter. You need to be comfortable, and only in that comfortable environment will we do a good job."

## SCORE Wants You

The Service Corps of Retired Executives Association is seeking volunteers who can provide expert counseling to small-business owners.

"We're looking for people who have a solid business background," says W. Kenneth Yancey Jr., SCORE's executive director. "In addition, they have to have good communication skills."

It's not enough to be very good in one's discipline. A SCORE counselor, he explains, has to be a good listener and must be empathetic.

SCORE counselors can be retired or active business owners or executives. For more information, call 1-800-634-0245.

### Check out other SCORE programs.

SCORE chapters offer modestly priced seminars and workshops on topics such as starting a business, developing a business plan, and protecting your invention. Such programs can help you frame questions for discussion with your counselor and make the counseling sessions more useful.

### Take full advantage of the counseling.

You'll get more out of it, says Yancey, if you let SCORE become a mentor. He advises visiting your SCORE counselor regularly so the counselor can get to know your business well. One restaurant-owning couple have had nearly 90 sessions with their counselor, according to SCORE.

"If you are a counselee at SCORE, suck us dry," says Albert, who no longer is formally affiliated with SCORE but still counsels Frucci.

### Look for teamwork.

Many SCORE chapters emphasize team counseling so clients can receive the benefit of the different types of expertise offered by different counselors.

If you think you need specific knowledge that your counselor lacks, you can request that someone with that knowledge be brought in to help.

At SCORE's Web site, [www.score.org](http://www.score.org), there's a new feature: the opportunity to get counseling via electronic mail from about 240 participating volunteers. In addition, the site answers questions about SCORE, provides profiles of successful SCORE clients, and finds the SCORE locations nearest you. (You can also determine the nearest SCORE chapters by calling the national SCORE office at 1-800-634-0245.)

Even though Loughheed has an MBA degree and has been a brand manager for major corporations, she says, "If you're starting a new business and you don't check out SCORE, it's just silly."

She emphasizes, however, that "this is someplace where people aren't just going to tell you what you want to hear." And that's good, she says, because if your business idea is not viable, it's better to find out upfront.

For SCORE's Yancey, the bottom line is this: "We want to help people make better-quality business decisions."

**"Sometimes it's easier working with women because they tend to listen to you better. We counsel, we advise, we suggest. We don't tell people 'do this' or 'do that.' But women tend to take our suggestions very well." Men tend to believe that they "don't really need all this stuff."**

—SCORE Counselor  
Robert Y. Fox

# Family Business

*Polishing a tarnished word; exploring the roots of succession planning.*

## OBSERVATIONS

### The Bright Side Of Nepotism

By Sharon Nelton

**N**epotism is getting a better name than it used to have. And that's fortunate because family businesses can hardly get along without it.

My dictionary describes nepotism as "favoritism shown to relatives, especially in appointment to desirable positions." The accepted wisdom is that nepotism has more negatives than positives attached to it. Business owners and their advisers have often feared that nonfamily employees would resent and possibly treat unkindly family members brought into the business or would see the family members as roadblocks to their own career success. They also feared that some family members themselves might be incompetent or lazy yet have an attitude of entitlement.

But when it's practiced with fairness, "there are a lot of good things to be said for nepotism," says Carl Thomas Holst-Knudsen. Tom Knudsen, as he is better known, is the third-generation president of Thomas Publishing Co., the New York City-based company that is famous for the *Thomas Register of American Manufacturers* and

other business publications. Thomas is 100 years old this year, and there are seven third- and fourth-generation family members working full time or part time in the 500-employee company.

Knudsen finds that nonfamily employees actually treat family employees very well. Family members, he says, "are given special treatment in extremely subtle ways." So subtle, he says, that even the "nepotism police" wouldn't be able to detect it.

But he sees it when a nonfamily manager extends extra encouragement to a family member or gives a family member an interesting assignment because it would offer good experience.

Knudsen encourages nepotism among Thomas' 700 independent sales contractors because he thinks it results in high performance, stability of the contractors' companies, and long-term commitment to Thomas. Some of the companies that represent Thomas are themselves third-generation companies.

Léon A. Danco, a pioneering family-business consultant, refers to family members

in a business as "nepots." More than 20 years ago, in his book *Beyond Survival*, in a discussion on choosing the business leader's successor, Danco wrote: "Continuity of the family company is the justification for nepotism. I do not mean blind, untrained, irresponsible, immature nepotism. I mean planned, trained, and responsible nepotism. Whoever the nepot is—family or nonfamily—this takes planning, and faith, and guts."

At the Thomas company, says Knudsen, there are a few "ex-nepbies"—family members who didn't perform and were encouraged to leave.

Nepotism can help—or harm—a company. The key is to monitor it. Talk about it as a family, Knudsen says. Maybe even develop a policy about it, or convert an unwritten policy into a written one so that everyone can understand it.

If you're the beneficiary of nepotism, Knudsen points out, the door is very easily opened to you. "Once in the door, however, you're expected to produce the same as anybody else."



PHOTO: T. MICHAEL KEZA

## PLANNING

### Succession Issues Can Signal Deeper Problems

By Joseph H. Astrachan and Craig E. Aronoff

**T**he CEO of a large, old family firm has announced that he'll be retiring in six months when he turns 65. "We have four young successor candidates from different branches of the family, and the board can't agree on who should be the next CEO," says one family member. "We need help in succession planning."

Everyone seems to believe that succession planning is essential. The topic dominates seminars, speeches, and books targeted to business-owning families. Families that have no clear successor or expect a fight often believe that succession planning is the answer.

Yet even as family businesses become

more comfortable in saying they need help with succession planning, our discomfort with overreliance on succession planning is rising. That discomfort is based on both experience and research.

While "succession" is often what doctors would call "the presenting problem," it's rarely the only problem confronting a family business that seeks help with transferring leadership and ownership. Sometimes the problem is more accurately described in other terms, such as "family conflict," "leadership failure," or "failure to agree on personal, family, or business goals."

More often, succession problems result from the sheer complexity of the interaction



PHOTO: GALLISON SHERREFFS

Craig E. Aronoff, left, and Joseph H. Astrachan teach at Kennesaw State University in Kennesaw, Ga. Aronoff holds the Dinos Chair of Private Enterprise; Astrachan is associate professor of management and entrepreneurship. Copyright © by the Family Business Consulting Group, Inc.

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# Nation'sBusiness

*The Small Business Adviser*

of numerous family, business, and ownership issues, all interdependent and all triggered by the realities of time and change.

Research suggests that although family-business leaders say their biggest concern is succession, other factors correlate much more highly with family-business survival across generations. Our analyses of data generated by surveys conducted by Massachusetts Mutual Life Insurance Co. (known as MassMutual—The Blue Chip Company) show that three elements—family meetings, active boards of directors, and strategic planning—seemed to contribute significantly to family-business longevity. Succession planning by itself does not appear to result in an enhanced rate of family-business survival.

How can this be true? The research suggests that family firms that survive over time develop structures that systematically facilitate communication, conflict resolution, accountability, and planning. Family meetings, active boards, and strategic planning serve as those structures. Here's how they work:

**Family meetings** greatly improve interaction within the family through regularly scheduled communication, the development of a common language, opportunities to work through issues until agreement is reached, and increased openness, sharing, and trust.

Information vacuums arising from inadequate communication cause resentments and erode trust. Family meetings can cure such feelings.

**Boards of directors** ensure business accountability at the highest level. The primary purpose of a board is to make sure that management does what it has promised. An effective board has clear goals and manages the business toward achieving those goals.

Boards make sure things don't slip through the cracks and that plans are followed. They can also help bridge family and business concerns and look out for the long-term, strategic well-being of the business.

**Strategic planning** offers a way for a business to make sure it has a future. In strategic planning, the market, industry, management, competition, and other issues

are all taken into consideration so that the business can project where it needs to be in the years to come and what changes might be required. Such planning assures that business leaders attend to the marketplace and to the company's competitive strengths and weaknesses. It answers the question, "If any specific bad or good thing happens, how should we respond?"

If communication, conflict resolution, accountability, and planning processes are in place, succession planning will seem much less daunting. Those processes are the highways that must be built if a family business is to get through what is otherwise virtually impassable terrain.

Rather than think in terms of succession planning, we prefer the more accurate phrase, "continuity planning." We are increasingly comfortable with the term "transition" rather than "succession" because the real challenge is to envision, coordinate, and implement future-embracing changes in the realms of management, ownership, and family relations.

In general, succession is just the visible tip of the iceberg. To approach the issue

without heed to the underlying concerns of assuring continuity is to risk sinking the family-business ship. The underlying issue is: If you don't have a strong foundation for family relationships and business governance, successful family and business change may be impossible.

The family described at the beginning of this article resolved its problem by restructuring. It has added outsiders to its board, changed its approach to and use of strategic planning, and redesigned its family council and meeting process.

It has named a nonfamily executive as a "bridge" CEO to lead the company until a successor is named. It has instituted new processes for executive development for family and nonfamily high-potential managers, and it is allowing five to eight years in which the next generation can work together to develop constructive approaches to future leadership.

"Succession planning" alone would have probably fueled existing problems to the point of jeopardizing the future of a great family business.



ILLUSTRATION: TROY THOMAS

## MARK YOUR CALENDAR



### May 14, Chicago

"Managing the 'Ultimate' Legacy With an Outside Board of Directors" is a program of the Family Business Council of the University of Illinois at Chicago. Call (312) 413-2752.

### May 19, Weston, Mass.

"To Grow or Not To Grow: Strategies for Success in a Family Business" is a breakfast program of the Northeastern University Center for Family Business. Call (781) 320-8015.

### May 20, St. Louis

"Negotiating Agreement in the Family Business" is the topic of a meeting of the Family Business Forum of Southern Illinois University Edwardsville. Call 1-800-692-4333.

### May 21, Philadelphia

"Our Business Family's Story" features the experiences of a husband-and-wife founding couple. Call the Delaware Valley Family Business Center; 1-800-296-3832.

### May 31-June 4, Atlanta

The "Family Business Academy" is a program especially for family-firm members ages 18 to 40. Call the Family Enterprise Center at Kennesaw State University; (770) 423-6045.

### June 3-5, Chicago

"Managing Succession Without Conflict" features nationally known family-business authorities Léon A. Danco and John L. Ward. Call the Arthur Andersen Center for Family Business; 1-800-924-2770.

### June 18, Seattle

"Succession Planning for Family-Owned Businesses" is a one-day program co-sponsored by *Nation's Business*, The Cambridge Institute, a Vienna, Va., management company, and others. For more information, call Kim MacAdam at (703) 790-9595, Ext. 193.

### How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to *Family Business*, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000.

# Case Study: Falling Apart Over A 'Prenup'

After meeting with their lawyers, Tom and Lisa are really unnerved.

At the insistence of Tom's uncle, a partner in the family's business, the about-to-be-newlyweds were in the midst of negotiating—or, to be exact, their lawyers were in the midst of negotiating—a prenuptial agreement.

Tom's one-third ownership stake in the family business—an inheritance from his father—has a book value of about \$500,000. As for other major assets, Tom and Lisa each have homes, which are approximately equal in value. Tom works in the business, and Lisa is the marketing manager of a department store.

Tom's attorney drew up a summary of Tom's and Lisa's expectations, clarifying that Tom would retain his stock in the family business. In the event of divorce, half of any increase in the stock's value after the wedding would go to Lisa, and the couple would split all other assets evenly.

Lisa's attorney then suggested that Tom fund a \$500,000 annuity for Lisa over 10 years to equal the current value of Tom's

share of the business. What had been a nonissue for the couple suddenly became a topic of immense concern.

Discussions about the prenuptial agreement have nearly ended the couple's relationship. Says Tom: "This annuity idea wasn't even Lisa's. She agreed at first that the value of the stock that I brought into the relationship should remain mine if we split up. But now she's considering otherwise. It's her attorney who is complicating things."

"All I want to do is protect my family's business. How can I best do that? It seems like the real winners here are the lawyers!"

## Response 1

### Regain Control

Tom and Lisa are losing control over their lives. As the power struggle envelops them, personality traits and relationship issues surface. Lisa has given her attorney the power to tell her what to do. The attorney is instilling in Lisa the notion of entitlement, and she is accepting it. She lacks the assertiveness to speak up for herself.

Tom is upset with the attorney when indeed it is Lisa with whom he must reconcile, and it is her change of heart that he must

understand. He, too, contributes to the disharmony. His generosity in providing Lisa half of any gain in the value of the stock is problematic unless he conveys to her that this value gain does not necessarily translate into available cash. Unless she understands this, she might be set up for a disappointment.

Absent is productive communication about everyday living, which helps in establishing budgets, goals, and sources and management of money. Discussing and reaching agreement on such matters are essential to love and commitment—and to harmony.

Tom and Lisa must clarify how individual assets and future earnings will be spent. Will Lisa contribute to living expenses, vacations, and so on? Or

will the income she earns be hers alone? Equality requires that both individuals contribute to shared expenses.

Communication means sharing and explaining ideas—and wishes and wants. It also means listening, hearing not just words but also the intention of the speaker.

Tom and Lisa must recapture their controls so they are at the negotiating table. Attorneys are their representatives, there to help with clarifications and legalities.



*Alice B. Reinig, a clinical psychologist and family-business consultant in San Diego.*



ILLUSTRATION: TROY THOMAS

## Response 2

### Seek Common Goal

Prenuptial agreements interject negotiation over business issues at a time when romance and emotion should rule.

They may be a "necessary evil," however, for preventing a person outside the family business—an embittered former spouse, perhaps—from acquiring shares in the company as part of a divorce decree.

Lisa's interest should be in protecting her legitimate financial expectations in the event of a divorce but not in guaranteeing that she be entitled to the shares. If she and

Tom can view their prenuptial agreement that way, a common goal may be identified. For example, they might agree that divorce ought not be a windfall for either party.

In many states, a prenuptial agreement is enforceable only if it is fair and reasonable under all circumstances. If Tom and his uncle are most concerned with protecting the stock, Tom might even want to err on the side of generosity to Lisa in the agreement. This might mean reconsidering her attorney's proposal for an annuity and having the stock appraised rather than relying on its book value.

The prenuptial agreement should be backed up with a buy-sell agreement that would let the firm purchase Tom's shares if they are transferred after a divorce. Also, Tom and Lisa might have sought out attorneys who would be sensitive to the situation's emotional aspects and not just adversarial.

As Tom and Lisa have discovered, a prenuptial agreement requires a careful balancing of family and business needs. But, of course, family-business owners have to do such balancing all the time.



PHOTO: RICHARD HOWARD

*Jeffrey S. Wolfson, an attorney with Goulston & Storrs in Boston and chairman of the Northeastern University Center for Family Business.*

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Paul I. Karofsky, executive director of the Northeastern University Center for Family Business in Dedham, Mass. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Boston. You can comment on this case study on the World Wide Web at [www.ffi.org/forums.html](http://www.ffi.org/forums.html).

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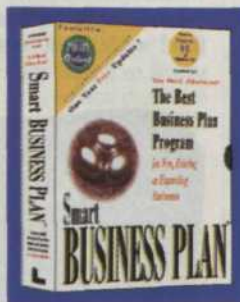


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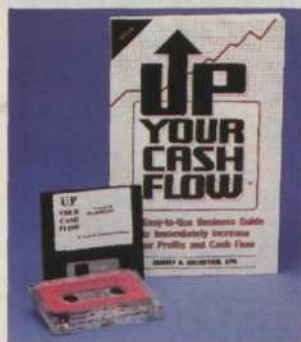


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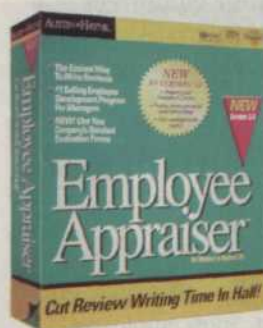
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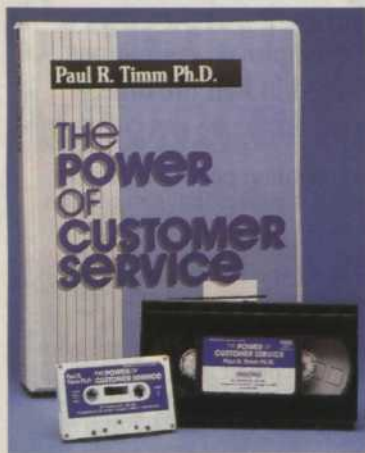


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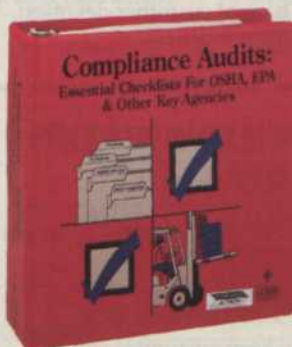
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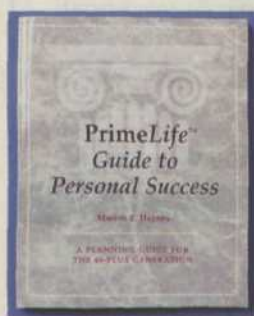


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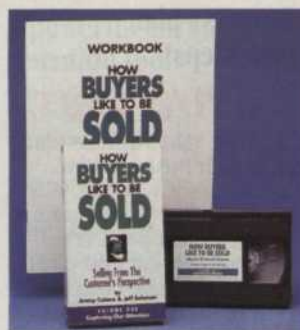


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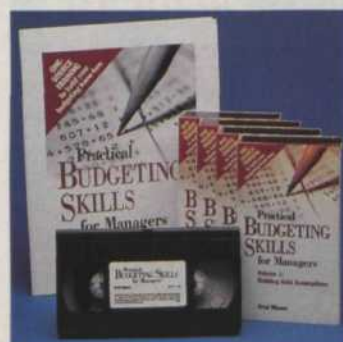
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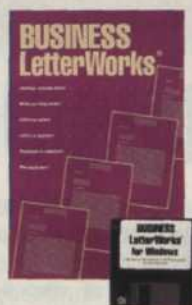
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## March Poll Results Readers' Views

# A Tight Job Market

**S**mall companies are finding it hard to hire qualified workers, according to a *Nation's Business* poll.

An overwhelming majority of respondents to the Where I Stand poll in the March issue said they were having difficulty finding new, qualified workers, and half said they weren't satisfied with the quality of the applicants.

The poll also revealed that almost six out of 10 job openings remain vacant for one to six months, and only one-fourth are filled in the first month. In contrast, a *Nation's*

*Business* poll in August 1996 found that more than half of job vacancies were being filled within a month.

Respondents to the recent poll also indicated that job applicants are weakest in "attitude and work habits," the category that topped the list of applicants' weaknesses in the 1996 poll.

One-fourth of the respondents said they had hired former welfare recipients in the past year, and 20 percent said they were willing to consider hiring such individuals.

Here are the complete results of the poll:

### Questions And Answers

#### How difficult has it been to find new, qualified workers during the past year?

Very difficult	59%
Somewhat difficult	31
Not difficult	6
Have not been hiring	4

#### How satisfied are you with the quality of applicants?

Very satisfied	5%
Somewhat satisfied	44
Not satisfied	51

#### How long are jobs going vacant in your company before suitable candidates are found to fill them?

Less than a month	24%
One to three months	39
Three to six months	20
More than six months	17

#### In which area are your job applicants weakest?

Basic reading and math skills	16%
Basic communication skills	14
Specific technical skills	30
Attitude and work habits	61
(Some respondents marked multiple categories.)	

#### Have you had to offer anything special to attract qualified workers, such as signing bonuses, extra benefits, or rewards to current employees for finding the new workers?

Yes	32%
No	45
No, but I am considering doing so	23

#### Are any of the people you have hired in the past year former welfare recipients?

Yes	24%
No	56
No, but I am willing to consider hiring such people	20

# Where I Stand



## On The Minimum Wage

President Clinton and congressional Democrats are supporting legislation to raise the minimum wage, now \$5.15 an hour, the rate set in September 1997. They want to boost it to \$5.65 on Jan. 1, 1999, and to \$6.15 on Jan. 1, 2000. These questions seek your views on this issue.

Results of this poll will be published in the July issue of *Nation's Business* and will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers and fax this page to (202) 463-5636.

### 1 Do you think the current federal minimum wage, \$5.15 an hour, should be increased?

1. Yes; two 50-cent increases in two years would be reasonable
2. Yes; but two 50-cent increases in two years would be too much
3. Yes; the wage should be raised more than the administration proposes
4. No

### 2 What impact would a higher federal minimum wage have on your business? (Check all that apply.)

1. Jobs would be eliminated
2. Employee benefits would be reduced
3. Profits would decline
4. Products or services would be eliminated
5. Prices would rise
6. No impact; state minimum wage is already higher
7. No probable impact

### 3 Would an increase in the federal minimum wage diminish your ability to hire people off welfare rolls?

1. Yes
2. No

### 4 How many of your employees are paid the federal minimum wage?

1. All
2. More than half
3. Less than half
4. None

### 5 Would an increase in the minimum wage also push up wages for workers at higher pay rates?

1. Yes
2. No

### 6 Should there be a separate "training wage" or a lower minimum wage for low-skilled and entry-level workers?

1. Yes
2. No

### 7 Do you think a minimum-wage increase would make it harder for U.S. firms to compete with foreign companies that have access to cheap labor?

1. Yes
2. No

**Send Your Response Today!**

# Making It

*Growing businesses share their experiences in creating and marketing new products and services.*

## Window Of Opportunity

By Steve Bates

**G**reat salespeople must believe in themselves, and that has never been a problem for Sarasota, Fla., entrepreneur Edward VerVane, who runs South Sun Energy Conservations. However, VerVane possesses another strong article of faith that some salespeople might lack: a deep, unshakable belief in the product he's selling.

That's important because he is selling a product that few people have heard of and most don't think they need.

It's a custom-fitted interior storm window, nicknamed the Winsulator, made of impact-resistant, clear acrylic that is designed to reduce the invasive heat that plagues offices and homes in Sun Belt areas.

Held in place with magnets and fitted with rubber seals that expand and contract as needed to trap air and prevent condensation, the windows also filter out dust, noise, and even ultraviolet rays. South Sun trims the acrylic and frame materials to custom-fit each window.

The Winsulator seems like a tough sell, and it has been. There is only one major manufacturer of the acrylic sheets—patent-holder Plaskolite, Inc., of Columbus, Ohio—and there are few distributors in the Southeast other than South Sun. But VerVane, 51, and his partner, 32-year-old Brian Keith Welsh of Punta Gorda, Fla., look through the windows to see an extremely bright future.

VerVane sold the windows as a contractor for a Plaskolite distributor for a while in Michigan during the 1980s; in that northern

state, he touted the windows' ability to keep heat inside houses. After moving to Florida and working for an auto dealer as a credit officer, he longed to get back to selling and believed that the acrylic panes would be the ticket in the searing heat of Florida.

He persuaded Welsh, a former handyman who had done work on VerVane's house, to add his installation expertise and founded South Sun in October 1993. VerVane started knocking on doors and networking at meetings of the Charlotte County Chamber of Commerce.

To boost his visibility and plug his product, he started showing up at chamber

meetings in a red, white, and blue superhero suit emblazoned with a large W. He even rented out his house and started living in his office to concentrate his funds on growing the fledgling business.

After several months of hard work, the results were underwhelming.

"Everybody says: 'If this thing is so good, how come you're the only ones doing it?'" recalls Welsh. Homeowners gave the duo looks as if they were snake-oil salesmen. The two got some coverage in local newspapers, encouraged word of mouth from satisfied customers, attended trade shows, and sought help from state agencies.

That help spurred VerVane to think big. He approached officials at the Kennedy Space Center—who maintain ties to budding companies—with an offer that he believed they couldn't refuse: South Sun would install six of the windows at the



PHOTO: EREN TOUCHTON

*A superhero costume helps Edward VerVane increase the visibility of the product he sells—custom-fitted interior storm windows.*

space center's headquarters building without guarantee of payment. If the center's officials didn't like them, South Sun would remove them—at no charge.

Space-center officials grilled him for hours. They put the material through intensive tests and liked what they saw.

More important, center officials started promoting VerVane's product. The public-

ity wasn't as good as, say, being asked to install the panes on the space shuttle, but it gave the young company much-needed thrust at a critical time.

VerVane made the same no-risk offer to the Men's Wearhouse clothing chain, saying the acrylic panes could reduce color fading of its inventory and would be far more attractive and effective than tinting

windows, as many Sun Belt businesses do. The chain took him up on the offer at one store and paid for the windows, at about \$12 per square foot.

VerVane says his revenues could reach \$1 million this year as he gains larger contracts, such as bank chains. "We just have to have the patience of Job," he notes. And to keep looking on the bright side. ■

## Fourth Time's The Charm

By Mark Richard Moss

**A**lthough he is only 28, Mark Moore has experienced a lifetime's worth of business failures. And that was all before he turned 22, when he founded a company to fill a niche—information for landlords about rental applicants. His firm, TIS, based in Winston-Salem, N.C., posted revenues last year of nearly \$1 million.

"After failing three times" with two automobile-repair shops and a software-development venture, "I've finally got it right," says Moore, who started his firm in 1992 with \$800 and a leased laptop computer.

Moore founded Tenant Information Services (it became TIS in 1996) to provide landlords with up-to-date eviction information on prospective tenants. Today, 90 percent of TIS's business consists of providing criminal-background checks on job candidates to about 800 companies, including out-of-state businesses similar to TIS that resell the information to their clients.

Companies pay a \$25 annual membership fee and are charged an average of \$7 per background check. TIS has 12 workers; four, including a computer programmer and an accountant, are under contract.

Headquartered since 1996 in a suite of offices in a downtown building, TIS is growing at a rate of about 40 percent a year. Moore attributes that growth largely to the development of an efficient network of contacts who gather information from county records throughout North Carolina.

"We've been very pleased with the service that TIS has performed for us," says Marcy Eberle, director of human resources for the Greensboro division of Time Warner Cable. Her company, she says, does not want employees with "a criminal history of, say, assault or burglary" going to customers' homes. "We really could be held liable if we had not done a good job at making the effort to check the background."

A couple of years at the DeVry Institute of Technology in Atlanta and a series of

jobs acquired through temporary agencies back home in Winston-Salem allowed him to hone his computer skills. Between assignments, he kept money flowing by repairing cars in his parents' back yard.

Over a period of three years, with the help of partners, Moore founded three companies: two automobile-repair shops and a business that specialized in developing software for companies. Moore takes the blame for the ventures' failures and attributes them to his youth, inexperience, and reluctance to heed advice.



PHOTO: EDUARD HALL

**His first three business ventures folded, but Mark Moore has found success with his latest firm, TIS, which does criminal-background checks for employers.**

When the third business ended after eight months, Moore says, he was "at rock bottom."

Lewis Gregory, a local landlord whom Moore has known and admired since childhood, planted the seed for TIS. Gregory, who belonged to a local landlords' association, told Moore that the landlords' major problem was a lack of easy access to a database with up-to-date eviction informa-

tion. The information was on record at the Forsyth County Hall of Justice, but the landlords didn't have the personnel to do the research.

Moore presented a proposal at the landlords' next meeting. He left with \$800 in advance fees from eight landlords, enough to lease a laptop and buy a cellular phone. He leased a room in a client's building and created a program for eviction data, which he collected during daily forays to the Hall of Justice.

In 1993, before TIS's first anniversary, Moore says, he "woke up one morning and said, 'Hey, why am I limiting myself?' I sent letters out to my existing clients and potential customers and said, 'Look, now I can offer criminal as well as eviction information.' And it just took off from there."

Moore's efforts finally produced a winner, and his thoughts are now on the future.

"I want to have the whole Southeast locked down and have people in every courthouse," he says. In the next few years, he believes, he'll be doing \$3 million to \$4 million in business a year. And maybe someday, he says, he'll sell the company and move on to something else—now that he's learned how to be a success. ■

Mark Richard Moss is a free-lance writer in Winston-Salem, N.C.

## MAKING IT

# Tank Commander

By Sharon Nelton

**W**hen someone presents you with a business opportunity, never say no—at least not until you've thoroughly examined all the possibilities.

That's a lesson that Walter J. Boasso learned in 1979, when he was a 19-year-old management student at the University of New Orleans. He was working part time for a ship-cleaning company. A customer asked him to clean some whiskey tanks on the side, but, recalls Boasso, the people he worked for "didn't want to fool with them."

When Boasso told the customer no, the customer said, "Damn it, son, I'm trying to give you business and you don't even want it." Boasso quickly got the point and began cleaning the customer's tanks on his own on nights and weekends—at first operating out of his parents' home and using laundry detergent, a garden hose, and a brush.

Little did he realize that he had found a niche that would grow with a changing industry—or that his fledgling business would grow with it. The whiskey tanks were 20-foot-long ISO tank containers. ISO tanks, which meet specifications of the International Standards Organization, had begun replacing the easily damaged 55-gallon drums commonly used in all forms of shipping throughout the world.

The sturdier tanks, which carry virtually anything—water, cooking oils, petroleum, liquors, chemicals, gases—can hold more than 100 times the volume of the drums. While some tank containers are larger, the most common size in the United States is 20 feet long and 8 to 9½ feet high.

Because their sizes are standardized, they can be used in intermodal transportation throughout the world—that is, they can go from ship to truck to rail.

Today, Boasso, 37, is chairman and CEO of Boasso America Corp., the "corporate mother hen," he says, of a group of compa-

nies that provide intermodal services. Based in Arabi, La., just outside New Orleans, Boasso America includes a half-dozen businesses and eight profit centers.

One company, Gulf States Marine Terminal, stores, handles, and repairs intermodal equipment and buys and sells new and used intermodal equipment.

Another enterprise, Boasso International, offers tank-cleaning services and emergency response for leaking tanks and spills. Still another, Gulf States Intermodal, trucks tank containers throughout the southeastern United States.



PHOTO: GUSACKSON HILL

**As chairman and CEO of Boasso America Corp., Walter J. Boasso presides over a half-dozen businesses related to tank containers and shipping services.**

While still living with his parents, Boasso sent letters to businesses around the world announcing his tank-cleaning service.

One morning his father woke him at 6:30 when three tractor-trailers carrying six tank containers pulled up in front of their home. Some of the people who had seen his letters, says Boasso, had said: "There's somebody in New Orleans who knows what a tank container is! Take the

tanks and send them there." "There" was the family's home address, which appeared on Boasso's letterhead.

As time went on, Boasso began buying and selling used tank containers and doing repairs. The business was formalized when he founded Gulf States Marine Terminal in 1985.

Boasso America should be "well over \$20 million" in annual revenues when the numbers are in for the fiscal year that ended March 31, says Boasso, whose company has nearly 300 employees.

Boasso says that in 1989, when he bought the 20-acre facility that houses the Arabi headquarters, he thought he would "have enough property here for the rest of my life." But four years later he added another 20-acre site, and he recently leased five more acres for another operation.

"My five-year plan here in New Orleans is to build a 100-acre facility—state-of-the-art, like nothing anywhere else in the world—that has all the different combinations of what we do," he says.

But he's not stopping there. Boasso America established operations in Detroit and Chicago last fall and expects to move into other U.S. cities.

"Where I see us is definitely international in five years," Boasso says. He envisions Boasso America service centers operating in Mexico, South America, and possibly other parts of the globe.

With such dreams, Boasso recognized that he needed someone who could free him of running day-to-day operations and help him reshape the company to achieve his ambitions. He pulled together a group of seven entrepreneurs to act as a selection committee and, with

their help, last summer hired an executive vice president, Michael Harr, formerly of Container Care International in Houston.

Boasso's role now? "I'm the visionary," he says. "I know in my heart where I want to go and how I want to get there."

Nothing stands still at Boasso America, and Boasso thinks that's good for his employees because it keeps them "continually challenged." It's also good for him, he says. "I love change."

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# Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Stephen Blakely

## GETTING STARTED

### Driving Toward A Stylish Business

I have been a hairstylist for more than 13 years and would like to start my own business, but I'm not sure how to begin. I'm thinking of using a small recreational vehicle and making it a mobile salon, offering chemical services, haircuts, and styles.

P.N., Columbus, Ohio

Hairdressers are subject to local regulation—either city or state, depending on where they live—so check with local licensing authorities before you fire up the RV.

In recent years, hair salons and hairstyling schools also have had to comply with rules issued by the U.S. Occupational Safety and Health Administration (OSHA) because of potentially dangerous chemicals, such as hair dyes, to which both stylists and customers are exposed regularly. If you have never dealt with OSHA, you may find, as others have discovered, that the experience can turn your hair gray.

Also, you probably should check with your auto-insurance company because you would be taking on some extra risks: The vehicle would be not only your ride to work but also your place of work. That spells "liability," regardless of whether you carry federally regulated chemicals.

A good source of information and help on the hairstyling business is the National Cosmetology Association in St. Louis, the largest association serving the general beauty industry.

Call (314) 534-7980 for information, or check out the association's extensive Internet site at [www.nca-now.com](http://www.nca-now.com). Individual membership ranges from \$45 to \$125 a year, depending on revenue.

The cosmetology association offers education and training classes, a national certification program, a manual to help salon owners prepare for OSHA inspections, and

specialized insurance policies. In addition, the association offers a brochure, *How To Open A Salon*, for \$2.50, and it runs a members-only "Dollars & Sense Program" that helps owners of salons and beauty schools with business planning and operations.

You also can contact Intercoiffure America-Canada, an organization in New Orleans that represents high-end beauty and hair salons; call (504) 282-4907. Membership is \$650 a year.

John Jay, executive director of Intercoif-

mixture must be heated above 175 degrees Fahrenheit (hence the "hot-mix") and must be spread and compacted quickly before it cools.

The major trade group representing this industry is the National Asphalt Pavement Association in Lanham, Md. It can be reached at (301) 731-4748. Extensive information is available at the group's World Wide Web site, [www.hotmix.org](http://www.hotmix.org). Membership fees vary.

Among other services, the association provides scholarships to students and industry employees interested in continuing education in the field. In addition, the group sponsors training programs, business-related publications and videos, and research into pavement design and construction.

### Vaulting Into Gymnastics

I'd like to open a gymnastics center and would like to know where to start. Where can I get information about this business and what is required?

J.S., Conestoga, Pa.

USA Gymnastics, based in Indianapolis, is the sole U.S. governing body for the sport of gymnastics. That means it sets the rules and policies for the sport in this country.

Among other services, the organization offers information about starting a gymnastics school, certification and professional training for private gymnastics schools, and a parents' guide to choosing a gymnastics school.

Contact USA Gymnastics at (317) 237-5050 for more information, or visit the

## HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Or transmit your question via electronic mail to [directline@nbmag.com](mailto:directline@nbmag.com). Be sure to include your address and telephone number.

Because of the high volume of letters, we can answer only those that are chosen for publication. Questions may be condensed, and writers will be identified only by initials and city.



ILLUSTRATIONS: MARTHA VAUGHAN

future, says that before starting a hairstyling business it's best to work for an established operation and learn the ropes. While earnings at the entry level are low, he says, experienced hairdressers "do a lot better than people think."

### Paving The Way To Success

Where can I obtain information about starting and operating a business that makes asphalt used in paving roads?  
G.A., Hartford, Conn.

This kind of pavement material is known as "hot-mix asphalt," which provides the surface material for about 94 percent of the 2.27 million miles of paved roads in the United States, among other uses.

That's a lot of asphalt—which is a combination of 95 percent stone, sand, or gravel, and a binding material called asphalt cement, a product of crude oil. To be applied properly as pavement, the asphalt

## GETTING STARTED

group's Web site at [www.usa-gymnastics.org](http://www.usa-gymnastics.org). Membership fees vary.

The organization publishes two major magazines: *USA Gymnastics*, the bimonthly official membership publication, which is aimed at youths and reports on competitions, athletes, and the Olympics; and *Technique* (\$25 annually in addition to membership costs), which supplies educational and technical information to professional members.

## Pumping New Life Into Old Tires

I'd like to set up a small-scale "green" industry, specifically a plant to manufacture products from used tires. Where can I obtain information on getting into this business?

H.A., Fort Mill, S.C.

Two groups in Washington, D.C., can give you information. One is the Rubber Manufacturers Association, the primary national trade association for the \$20 billion industry of finished rubber products. Call (202) 682-4800 or use an electronic-mail link at the World Wide Web site [www.rma.org](http://www.rma.org).

The other group, which is part of the Rubber Manufacturers Association, is the Scrap Tire Management Council. The STMC can be reached at (202) 682-4880; its home page is at [www.rma.org/tires.html](http://www.rma.org/tires.html). Membership fees vary.



The STMC is financed by the tire industry and promotes scrap tires as a valuable commodity that is economically and environmentally sound. The council offers a free package of basic information on the used-tire sector, including tips for those interested in getting into the business.

John Serungard, the STMC's director, says there are three major markets for used tires: tire-derived fuel (tire rubber that is processed and burned as a source of energy for industrial applications such as cement kilns and pulp and paper mills); civil engineering (ground-up tires used as lightweight fill material in retaining walls, septic systems, and road construction); and recycled products such as dock bumpers and flooring material.

The United States exports about 15 million used tires each year for continued automotive use, Serungard says. About 60 percent of the rubber produced in the United States is used in tires.

The North American Recycled Rubber Association in Bowmanville, Ontario, serves as a clearinghouse for U.S. and Canadian companies involved in the recycled-rubber industry—including haulers, processors, manufacturers, distributors, dealers, and consultants—and for government agencies.

For more information, contact the association at (905) 623-8919. Membership starts at \$165 a year.

Another useful source of free information about recycling of a wide variety of materials, including rubber and tires, is *Recycler's World*, a Web site at [www.recycle.net](http://www.recycle.net). NB

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# Editorial

## Affirming A Basic Right Of Workers

**C**alifornia voters' approval of the anti-tax Proposition 13 in a referendum 20 years ago marked a turning point in American political history. The state's taxpayer revolution spread across the nation, spearheading the conservative movement that eventually brought the Reagan era and Republican control of Congress.

More recently, voters in the most populous state have banned the use of racial quotas and preferences in public-sector hiring and contracting and in admissions to educational institutions. That move could also have a ripple effect.

"California has often been a trendsetter," Gov. Pete Wilson said in a recent address at the U.S. Chamber of Commerce in Washington, D.C.

Americans concerned about individual freedom hope that pattern prevails when Californians vote June 2 on Proposition 226, also known as the Campaign Reform Initiative. The voters are being asked to decide, Wilson says, whether "workers in my state will continue to be denied ... the right to choose for themselves if and how to spend their hard-earned money on politics."

If the proposition is approved, labor unions will need advance, written consent of members—or of nonmembers who must make payments to a union to keep their jobs—to spend any of their payments on political activities. Such authorization would have to be renewed annually.

The California proposal is one of several initiatives in the states and in Congress to address the objections of many workers to the long-standing union practice of using their payments to support political candidates and social causes that they oppose.

In the 1996 elections, a survey showed, 40 percent of union members voted Republican but more than 90 percent of union campaign spending favored Democrats.

Another poll revealed that by overwhelming majorities, rank-and-file union members favored tax relief, welfare reform, and a balanced federal budget, while labor leaders were opposed to such proposals.

Nearly two-thirds of the AFL-CIO's rank and file were either "somewhat" or "strongly" opposed to the organization's spending \$35 million to try to defeat Republican candidates in the 1996 elections. Among the newest union members, 77 percent were opposed.

Given a chance, union members forcefully demonstrate their opposition to expenditures in which they have no voice. In Washington state, the number of members of two public-employee unions contributing to union political activities dropped precipitously when worker consent became necessary under a 1992 law. A similar statute was enacted in Wyoming this year, and Idaho and Michigan also have

such laws. Worker-protection proposals are expected to be on ballots in Colorado, Oregon, and Nevada this year—and possibly in Arizona—and are pending in nearly 30 state legislatures.

The California initiative is viewed as particularly significant because of the imminence of the vote and the state's status as a bellwether.

Proposals pending in Congress would set worker consent as national policy on unions' use of workers' payments for political activities.

The case for this policy was made effectively by the House Committee on Education and the Workforce in its report recommending passage of a worker-consent bill:

"It is a fundamental tenet of this nation that all men and women have a right to make individual and informed choices about the political, social, or charitable causes they support, and the law should protect that right to the greatest extent possible."

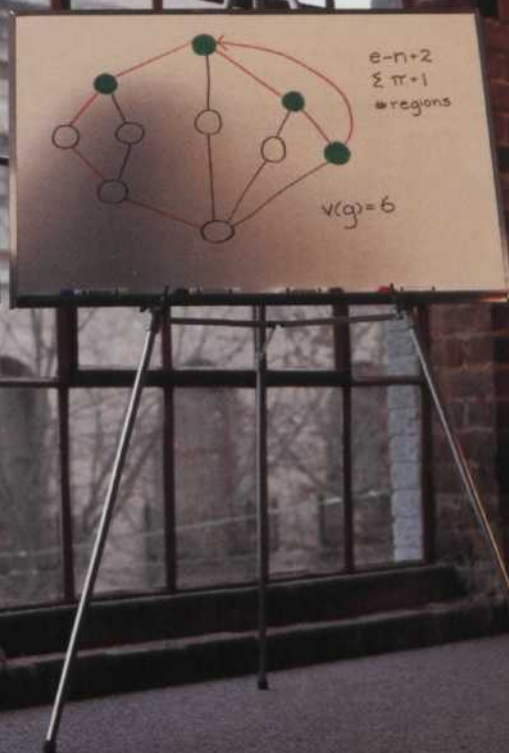
### California Ballot Proposition 226

"It is the intent of the people of the state of California to ... ensure that contributions and expenditures in political campaigns are made with the knowledge and complete consent of the individuals who are making them."



Karen Bishop-Stone,  
Founder & Owner,  
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# The Business Advocate

SUPPLEMENT TO **Nation's Business** MAY 1998



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## Big Victory On Roads



Bruce Josten, executive vice president for government affairs of the U.S. Chamber of Commerce, addresses a March rally at the Capitol, where he urged approval of a major transportation funding bill.

**T**he U.S. Chamber of Commerce notched its biggest legislative win so far this year on April 1 when the House of Representatives overwhelmingly approved a six-year, \$217 billion upgrade of America's transportation infrastructure.

"This bill significantly increases the level of investment in our nation's roads, bridges, and transit systems and contributes greatly to the national economy and to highway safety," said Thomas J. Donohue, the Chamber's president and CEO.

*Continued On Page 15A*

■ **Protection From**  
**OSHA**, Page 2A

■ **Legal Reform Effort**  
**Gears Up**, Page 5A

■ **Chamber Endorses**  
**Candidates**, Page 12A

## ■ Lobbying



Bill Morley, right, a director with the U.S. Chamber's Office of Congressional and Public Affairs, discusses the business federation's agenda with Sen. Gordon Smith, R-Ore. At the meeting, Smith received the Chamber's Spirit of Enterprise Award for his support of business issues in 1997.

## ■ Streamlining Government

# Bill Requires Better Plans

The House has approved a bill backed by the U.S. Chamber of Commerce that would add substance and an enforcement mechanism to a law that is supposed to streamline the federal government.

The legislation, approved by the House by a vote of 242-168 on March 12, would amend and strengthen the 1993 Government Performance and Results Act (GPRA).

The Chamber is lobbying the Senate to take action on a similar proposal. It was uncertain at press time when, or if, a bill similar to the House measure would be introduced in the Senate.

The statute that would be amended requires federal agencies to identify their goals and objectives through strategic planning and to report their plans to Congress each year. The purpose of the plans is to help agencies be more efficient, more cost-effective, and more responsive to the public.

But the first plans, which had to be submitted to lawmakers by Sept. 30, 1997, were disappointing, says the Chamber.

According to a report from the General Accounting Office, the plans of the 24 largest federal departments and agencies were "grossly deficient," with most plans failing to include adequate descriptions of goals and ignoring major

management problems. The strategic plan submitted by the Department of Health and Human Services, for example, was simply a description of its programs, the GAO noted.

The House-passed GPRA Technical Amendments of 1998, sponsored by Rep. Dan Burton, R-Ind., would require that each agency's strategic plan:

- State the agency's goals and objectives.
- Identify agency functions that are similar to other efforts in the agency or to functions performed by other government entities and explain efforts to coordinate functions having similarities.
- Describe major management problems and the measures used to resolve such problems.
- Assess the reliability of the agency's data sources.
- Describe the format used in presenting the plan.

To ensure that agencies prepare adequate strategic plans hereafter, the legislation also would require each agency's inspector general—or a similar official—to audit the plan annually and report the results to Congress.

In addition, the White House Office of Management and Budget must prepare and submit to Congress each year an integrated report on all of the agencies' plans.

## ■ OSHA

# Measures Add To Protections

Small business would gain a measure of protection from overzealous enforcement by the Occupational Safety and Health Administration (OSHA) under two bills approved recently by the House at the urging of the U.S. Chamber of Commerce.

Both bills, sponsored by Rep. Cass Ballenger, R-N.C., were approved March 17 by voice votes. The Chamber is now urging the Senate to consider similar legislation.

One bill, H.R. 2864, would make OSHA's small-business consultation program, which has been underfunded, a central part of the agency's compliance-assistance mission.

The program allows businesses to request OSHA audits so that companies can ensure that they are in compliance with the safety and health law or correct any problems. But the current program does not guarantee firms that they won't be penalized for violations found during such audits.

H.R. 2864 would allow businesses that participate in the consultation program to correct any violations discovered without penalty and to receive a one-year exemption from OSHA inspections.

The measure also would:

- Make the consultation program part of the workplace safety and health law.
- Allow employers to request on-site consultations as an alternative to enforcement inspections.
- Ensure that a majority of OSHA's funding for compliance assistance goes to the consultation program.

The other bill, H.R. 2877, would require OSHA to measure its success through improvements in workplace safety and health. The bill would prohibit OSHA from using the number of inspections, citations, or penalties as quotas or performance measures for its inspectors.

OSHA frequently has been criticized for measuring its effectiveness—and that of its inspectors—by the number of inspections completed, citations for "serious" and "willful" violations issued, and criminal cases referred to the U.S. Department of Justice and by the amount of money collected in penalties.



## ■ Victory

# House OKs Labor Board Reform

The U.S. Chamber of Commerce won a significant victory for business with the recent House passage of a bill that would help check abuses of power by unions and the National Labor Relations Board.

Sponsored by Rep. William F. Goodling, R-Pa., the legislation was approved March 26 by a vote of 202-200. (See how your representative voted on Pages 8A and 9A.)

The Chamber is now urging the Senate to consider similar legislation sponsored by Sen. Tim Hutchinson, R-Ark. The House and Senate bills would make changes in the way the NLRB interprets and enforces the National Labor Relations Act.

The 1935 labor law governs union organizing, collective bargaining, and other matters related to labor-management relations.

If the Senate passes its legislation and the reforms are enacted, "fairness will be brought back to the National Labor Relations Board," said Randel Johnson,



If the Senate passes the bill, "fairness will be brought back to the National Labor Relations Board."

—Randel Johnson,  
U.S. Chamber

the Chamber's vice president for labor policy. "Too often, the NLRB has been used as an instrument by labor organizations to intimidate small businesses."

The reform legislation would:

- Allow an employer to refuse to hire any person "who seeks or has sought employment ... in furtherance of other employment or agency status." Currently, under the labor-relations act, an employer cannot deny employment to a person who applies for a job with the specific intent of organizing the employer's workers or inflicting economic harm to put the nonunion company out of business.

- Require the NLRB to hold hearings to determine the appropriateness of union bargaining units at one or more locations of a multiple-facility employer. The NLRB was considering a regulation that would have recognized single-location bargaining units.

- Require the NLRB to render a decision within one year of filing on complaints of unfair labor practices in which an employer is alleged to have discharged an employee in an effort to encourage or discourage union membership. Since 1981, the board generally has taken more than 500 days to issue decisions in unfair-labor-practice cases.

- Allow a small business or labor organization to recoup attorneys' fees and expenses incurred in fighting an NLRB complaint if the company or the union prevailed in the case.

*Call your senators and urge them to support Sen. Tim Hutchinson's bill to reform the NLRA to protect small businesses and their employees. Lawmakers can be reached through the Capitol switchboard at (202) 224-3121.*

## ■ Call Now

# Mandates Vote Expected Soon

The House is expected to consider in late April or early May legislation backed by the U.S. Chamber of Commerce that would provide lawmakers with better information about the costs and consequences of federal laws and regulations on the private sector.

The Mandates Information Act would require the Congressional Budget Office (CBO) to estimate the impact of all bills' private-sector mandates on consumer prices; workers' wages and employment opportunities; and small-business hiring, expansion, and profitability.

The legislation would allow a lawmaker to raise a point of order to stop the House or Senate from considering any bill that did not have an accompanying CBO mandates analysis or any bill or amendment that would cost the private sector \$100 million or more annually.

A point of order also could be raised on any provision added to a bill during a

ity in either house voted to do so.

The mandates measure is sponsored in the House by Reps. Rob Portman, R-Ohio, and Gary Condit, D-Calif., and in the Senate by Sen. Spencer Abraham, R-Mich.

In testifying on behalf of the Chamber March 27, Bruce Josten, the organization's executive vice president for government affairs, urged the House Rules Committee to approve the legislation.

"Small businesses have a right to know the costs and potential consequences of new mandates," Josten said. "Requiring Congress to be better informed on the potential costs and economic impacts of new mandates before it votes on them is a simple matter of good government."

*Call your representative at (202) 225-3121 immediately, and ask him or her to support the Mandates Information Act.*



U.S. Chamber Executive Vice President Bruce Josten, right, confers with Rep. Gary Condit, D-Calif., at a hearing on the Mandates Information Act, sponsored by Condit.

House-Senate conference that would exceed the \$100 million threshold. The point of order could be waived if a major-

*Call your senators and representative  
and urge support for MFN trade status  
for China. Dial the Capitol switchboard  
at (202) 225-3121.*

## ■ Call Now

# Labor Law Fix Needed

The U.S. Chamber of Commerce is asking its members to urge support for a bill expected to reach the House floor in mid-May that would correct a quirk in a key federal labor law.

The Sales Incentive Compensation Act (H.R. 2888) would lessen the distinction in the Fair Labor Standards Act (FLSA) of 1938 between salespeople who work inside their employer's place of business and those who work outside it. The FLSA sets wage and hour standards for workers, including the federal minimum-wage and overtime-pay requirements.

All outside salespeople already are exempt from the FLSA. The pending House measure, sponsored by Rep. Harris W. Fawell, R-Ill., would exempt from the FLSA inside sales employees who require "specialized or technical knowledge" about the product or service they sell and who sell predominantly to repeat customers or who are not required to initiate sales contacts. To be exempt, such workers currently must be paid at least \$22,495 a year in base pay and incentives. Under a formula in the bill, that minimum amount would increase whenever the federal minimum wage rises.

*Call your representative now and urge him or her to vote for H.R. 2888. Lawmakers can be reached through the Capitol switchboard at (202) 225-3121.*

## ■ Legal Institute

# Lawsuit Reforms Sought

The U.S. Chamber of Commerce has created an affiliate, the U.S. Chamber Institute for Legal Reform, to mount a long-term legislative and political battle against excessive and frivolous lawsuits.

The mission of the Chamber's new non-profit entity is to restore fairness and balance to the American legal system, said Thomas J. Donohue, president and CEO of the Chamber, in announcing establishment of the institute.

"Our goal," said Donohue in an April 6 speech to business leaders at the Economic Club of Detroit, "is to end the explosion of litigation and to restore balance and sanity to what once was—and can be again—the greatest civil-justice system in the world."

Lawrence B. Kraus, formerly a senior vice president of the Chamber, will be president of the institute. The organization will be guided by a board of directors composed of business leaders and legal experts. The institute also will receive advice from the Chamber's legal affiliate, the National Chamber Litigation Center, and will work with other tort- and legal-reform groups.

"Perhaps no single issue generates as much intense emotion among businesses

of all sizes as the excesses of America's legal system," said Kraus. According to the Public Policy Institute in Albany, N.Y., tort lawsuits cost consumers and

businesses more than \$163 billion in 1996, the latest year for which figures are available.

The legal-reform institute will work to help:

- Eliminate incentives for abusive and wasteful litigation by limiting excessive fees for attorneys.

- Promote alternative-dispute-resolution procedures as a substitute for costly and time-consuming litigation.

- Encourage business involvement in the judicial selection and election processes.

- Ensure that those who file suits that prove to be frivolous bear at least part of the defendants' costs.

- Require that liability be assessed to defendants based on their degree of fault rather than on their ability to pay.

The Chamber's Donohue has made reform of the legal system one of his top priorities since assuming leadership of the business federation Sept. 1.

*For more information about the U.S. Chamber Institute for Legal Reform, call (202) 463-5335.*



Lawrence B. Kraus

PHOTO: T. MICHAEL REZA

## ■ Politics

# Register And Vote In '98, Chamber Says

The U.S. Chamber of Commerce is providing participating member companies and business organizations with a poster, an envelope stuffer, and camera-ready artwork, enabling them to produce materials urging employers and their employees to register and vote in the Nov. 3 elections.

Members who choose to partner with the Chamber in its get-out-the-vote effort will also receive a how-to manual for organizing a registration, voting, and voting-by-absentee-ballot program.

The goals of the Chamber campaign,

**REGISTER, VOTE**  
**Make a Difference for Business**

U.S. Chamber of Commerce



titled "Register, Vote, Make A Difference For Business," are to build a national network of chambers of commerce, trade and professional associations, and businesses actively seeking to register employers and their employees, educate them about business issues, and encourage them to vote on Election Day.

"It is vitally important to business to have legislators in Congress who will be responsive to its needs and who will support those who provide the jobs in this country," says Thomas J. Donohue, president and CEO of the Chamber.

"Those types of lawmakers will only get elected if employers and employees register to vote and vote."

To sign up for the program and receive the free materials, visit the Chamber's Internet site at [www.uschamber.org](http://www.uschamber.org) or call its Office of Membership Grassroots Management at (202) 463-5604.

## ■ International Trade

# Chamber Seeks End To Cuba Embargo

**C**ongressional action on a measure to allow the United States to send food, medicine, and medical supplies to Cuba is being urged by the U.S. Chamber of Commerce and other members of a diverse coalition.

The coalition, which the Chamber helps lead, is called Americans for Humanitarian Trade with Cuba and consists of more than 40 business, religious, and civic organizations. The coalition is pressing for House and Senate action on bills that would end the U.S. embargo on food and medical sales to Cuba.

The Chamber views the legislation as a first step toward eliminating the 35-year-old trade embargo, which it believes has been ineffective.

The coalition is backing legislation (H.R. 1951) sponsored in the House by Reps. Esteban Edward Torres, D-Calif., and Jim Leach, R-Iowa. It's supporting a similar Senate bill (S. 1391) by Sens. Christopher J. Dodd, D-Conn., and John W. Warner, R-Va.

A ban on U.S. trade with Cuba has been in effect since 1963, when efforts failed to oust dictator Fidel Castro and the communists, who seized power in the

island nation in 1958. In the years since the embargo took effect, some U.S. goods have made their way to Cuba through foreign subsidiaries of U.S.

That law bans foreign subsidiaries of U.S. firms from selling goods to Cuba, and it bars ships from docking in U.S. ports for six months after docking in Cuba. It also has been interpreted by the U.S. Office of Foreign Assets Control, which licenses most U.S. medical sales to Cuba, as discouraging these exports.

Further restrictions were enacted in 1996 with passage of the Cuban Liberty and Democratic Solidarity Act, or the Helms-Burton law. The Chamber recently testified in opposition to that law, which was sponsored by Sen. Jesse Helms, R-N.C., and Rep. Dan Burton, R-Ind. The statute codifies the trade embargo against Cuba and allows U.S. companies and U.S. citizens whose property in Cuba was confiscated after Castro came to power to sue entities that "traffick" in their property.



Jorge I. Fernandez, left, senior vice president/international of Davel Communications Group of Philadelphia, confers with the U.S. Chamber's John Howard before testifying before a House committee in favor of allowing U.S. sales of food and medicine to Cuba.

firms or through U.S. companies licensed to sell certain products—such as medicines and medical supplies—to Cuba. But those avenues were effectively closed with passage of the Cuban Democracy Act in 1992.

*Call your senators and representative and urge them to support the Torres-Leach (H.R. 1951) and Dodd-Warner (S. 1391) bills. Lawmakers can be reached through the Capitol switchboard at (202) 225-3121.*

## ■ Regulation



David Voight, director of the U.S. Chamber's Small Business Center, testified March 4 before a House subcommittee evaluating the federal government's ongoing efforts to ease the regulatory burden on small firms.

## ■ Property Rights

# Senate Win Appears Near

**P**roperty owners were set to score a significant victory on Capitol Hill in late April.

That's when the Senate was expected to pass legislation already approved by the House that would make it easier for landowners to challenge federal actions or regulations that affect their property.

Congressional approval of the bill, backed by the U.S. Chamber of Commerce, would mark the first property-rights victory in Congress in recent years. "The Senate vote will be a major step toward restoring and enhancing the property rights of small landowners," said Stuart Hardy, the Chamber's property-rights specialist. Hardy's confidence was based on informal counts of senators committed to support the bill.

The bill would allow landowners to have their cases heard in the Court of Federal Claims in Washington when they sue the U.S. government for federal agencies' actions or regulations that result in "takings" of their property and for other agency actions, such as denying a permit to alter property classified as wetlands. The current law requires takings claims, which fall under the Fifth Amendment to the Constitution, to be heard in the Court of Claims, while other challenges to agency actions must be filed in a U.S. District Court.

The House passed the bill, sponsored by Rep. Lamar S. Smith, R-Texas, by a vote of 230-180 on March 12. The Senate was expected to vote on it after lawmakers return from a mid-April recess.

# GAIN UPDATE

GRASSROOTS ACTION  
INFORMATION  
NETWORK

U.S. Chamber of Commerce Federation

## Chamber Targets Environmental-Rulemaking Plans

### *White House Pursues A New Strategy To Implement Global Warming Treaty*

The U.S. Chamber of Commerce is opposing the Clinton administration's efforts to achieve through rulemaking a number of environmental standards that likely couldn't get approved in the Senate.

The Chamber is criticizing the administration's attempts to implement provisions of the United Nations climate-change treaty through agency regulations.

The climate treaty was signed by the United States and more than 160 other countries in December in Kyoto, Japan.

It sets targets and timetables for those nations to reduce emissions of so-called greenhouse gases. Under it, the United States is committed to cutting greenhouse gases by 7 percent from 1990 levels by 2012.

The Chamber has criticized the climate treaty because it does not include developing countries—such as China, India, and Brazil—which in five years will account for a majority of the world's greenhouse-gas emissions, according to the International Energy Association. The Chamber also says the pact would likely lead to serious economic disruption in the United States.

For the treaty to take effect in the United States, the U.S. Senate must ratify it. Last year, the Senate approved, 95-0, a resolution opposing any climate-change pact that failed to include developing nations and that could harm the U.S. economy.

Because of Senate opposition, it is unlikely that the Clinton administration will submit the treaty to the legislature. Instead, the White House is moving to curb greenhouse-gas emissions through administrative actions.

For example, it is considering a plan to use Environmental Protection Agency regulations to tighten emissions of

refrigerants from air conditioners used in office buildings, factories, shopping centers, and other commercial facilities.

"These chemicals are minor greenhouse gases," says Stuart Hardy, the Chamber's manager of natural-resources policy. "The proposal is being advanced as a purported means to curb global warming, but it will do little except impose stiff penalties on businesses that exceed the tight new limits."

Other likely regulatory initiatives, according to Hardy, include higher corporate average fuel economy (CAFE) standards for motor vehicles. The president already has statutory authority to increase current CAFE standards for automobiles and light trucks and to expand the standards to sport-utility vehicles.

Hardy notes that the EPA has considerable authority under the federal Clean Air Act to crack down on businesses and other sources that emit carbon dioxide, nitrous oxides,

and methane—the three principal greenhouse gases.

New regulations could include tighter emissions levels as well as mandatory inspections of industrial valves, flanges, and other equipment in plants and factories.

The Chamber is opposing these proposals and is backing efforts by Rep. David McIntosh, R-Ind., chairman of the House Government Reform and Oversight Subcommittee on National Economic Growth, Natural Resources and Regulatory Affairs, to check any "regulatory end run" around Senate ratification of the climate-change treaty.

Several other congressional committees have conducted oversight hearings on the climate-change pact. Administration witnesses have been hard-pressed to explain how the treaty can meet its stated objective of lowering greenhouse-gas emissions worldwide.

Other witnesses at the hearings have noted that because developing countries are not required to cut emissions, the treaty simply will shift emissions from the United States and other industrial nations to developing countries.

The net result, they have testified, will be the loss of U.S. jobs and harm to the global environment because most of the exempt nations have lower water- and air-pollution standards.

The Chamber's Hardy says that the White House, in an effort to overcome congressional opposition to the treaty, is attempting "to buy public support" with a package of tax initiatives.

*Continued On Page 10A*



## How You Can Join GAIN

**T**he Grassroots Action Information Network—GAIN—enhances the ability of business people to influence government decisions that affect their enterprises. Through the network, U.S. Chamber specialists on legislative and regulatory issues provide activist business people with the timely information they need to urge their members of Congress to cast pro-enterprise votes.

For more information on how to become a member of this network, call (202) 463-5604.

## GAIN UPDATE

# Thank Lawmakers Who Backed Labor-Law Reform

The U.S. Chamber of Commerce is asking its members to thank their representative in the House if he or she voted March 26 to reform the National Labor Relations Act and to express disappointment if their representative voted against the measure.

The vote was 202-200 in favor of passing a reform bill.

The legislation would protect employers from certain tactics used by labor unions in trying to organize workers. It also would require the National Labor Relations Board, which oversees the 1935 labor law, to be more responsive to small

businesses—and labor unions—when considering complaints related to the NLRA. The bill was sponsored by Rep. William F. Goodling, R-Pa., and is known as the Fairness for Small Business and Employees Act.

Representatives may be reached by calling the Capitol switchboard at (202) 225-3121 or by writing them at the U.S. House of Representatives, Washington, D.C. 20515.

Check the list below to see how your representative voted. Lawmakers are listed by district within their respective states.

## VOTED FOR REFORM

### ALABAMA

- 1 Callahan (R)
- 2 Everett (R)
- 3 Riley (R)
- 4 Aderholt (R)
- 6 Bachus (R)

### ARIZONA

- 1 Salmon (R)
- 3 Stump (R)
- 4 Shadegg (R)
- 5 Kolbe (R)
- 6 Hayworth (R)

### ARKANSAS

- 3 Hutchinson (R)
- 4 Dickey (R)

### CALIFORNIA

- 1 Riggs (R)
- 2 Herger (R)
- 4 Doolittle (R)
- 11 Pombo (R)
- 19 Radanovich (R)
- 21 Thomas (R)
- 23 Gallegly (R)
- 25 McKeon (R)
- 27 Rogan (R)
- 28 Dreier (R)
- 38 Horn (R)
- 40 Lewis (R)
- 41 Kim (R)
- 43 Calvert (R)
- 45 Rohrabacher (R)
- 47 Cox (R)
- 48 Packard (R)
- 49 Bilbray (R)
- 51 Cunningham (R)
- 52 Hunter (R)

### COLORADO

- 3 McInnis (R)
- 4 Schaffer (R)
- 5 Hefley (R)
- 6 Schaefer (R)

### DELAWARE

- AL Castle (R)

### FLORIDA

- 1 Scarborough (R)

- 2 Boyd (D)
- 4 Fowler (R)
- 6 Stearns (R)
- 7 Mica (R)
- 8 McCollum (R)
- 9 Bilirakis (R)
- 10 Young (R)
- 12 Canady (R)
- 13 Miller (R)
- 14 Goss (R)
- 15 Weldon (R)
- 16 Foley (R)
- 22 Shaw (R)

### GEORGIA

- 1 Kingston (R)
- 3 Collins (R)
- 6 Gingrich (R)
- 7 Barr (R)
- 8 Chambliss (R)
- 9 Deal (R)
- 10 Norwood (R)
- 11 Linder (R)

### IDAHO

- 1 Chenoweth (R)

### ILLINOIS

- 6 Hyde (R)
- 8 Crane (R)
- 10 Porter (R)
- 13 Fawell (R)
- 14 Hastert (R)
- 15 Ewing (R)
- 16 Manzullo (R)

### INDIANA

- 2 McIntosh (R)
- 4 Souder (R)
- 5 Buyer (R)
- 6 Burton (R)
- 7 Pease (R)
- 8 Hostettler (R)

### IOWA

- 1 Leach (R)
- 2 Nussle (R)
- 4 Ganske (R)
- 5 Latham (R)

### KANSAS

- 1 Moran (R)
- 2 Ryun (R)
- 3 Snowbarger (R)
- 4 Tiahrt (R)

### KENTUCKY

- 1 Whitfield (R)
- 2 Lewis (R)
- 3 Northup (R)
- 4 Bunning (R)

### LOUISIANA

- 1 Livingston (R)
- 3 Tauzin (R)
- 4 McCrery (R)
- 6 Baker (R)
- 7 John (D)

### MARYLAND

- 1 Gilchrest (R)
- 2 Ehrlich (R)
- 6 Bartlett (R)
- 8 Morella (R)

### MICHIGAN

- 2 Hoekstra (R)
- 3 Ehlers (R)
- 4 Camp (R)
- 6 Upton (R)
- 7 Smith (R)
- 11 Knollenberg (R)

### MINNESOTA

- 1 Gutknecht (R)
- 3 Ramstad (R)

### MISSISSIPPI

- 1 Wicker (R)
- 3 Pickering (R)
- 4 Parker (R)
- 5 Taylor (D)

### MISSOURI

- 2 Talent (R)
- 7 Blunt (R)
- 8 Emerson (R)
- 9 Hulshof (R)

### MONTANA

- AL Hill (R)

### NEBRASKA

- 1 Bereuter (R)
- 2 Christensen (R)
- 3 Barrett (R)

### NEVADA

- 1 Ensign (R)
- 2 Gibbons (R)

### NEW HAMPSHIRE

- 1 Sununu (R)
- 2 Bass (R)

### NEW JERSEY

- 2 LoBiondo (R)
- 3 Saxton (R)
- 5 Roukema (R)
- 11 Frelinghuysen (R)
- 12 Pappas (R)

### NEW MEXICO

- 2 Skeen (R)
- 3 Redmond (R)

### NEW YORK

- 13 Fossella (R)
- 25 Walsh (R)
- 27 Paxon (R)

### NORTH CAROLINA

- 3 Jones (R)
- 5 Burr (R)
- 6 Coble (R)
- 7 McIntyre (D)
- 9 Myrick (R)
- 10 Ballenger (R)
- 11 Taylor (R)

### OHIO

- 1 Chabot (R)
- 2 Portman (R)
- 4 Oxley (R)
- 5 Gillmor (R)
- 7 Hobson (R)
- 8 Boehner (R)
- 12 Kasich (R)
- 15 Pryce (R)
- 16 Regula (R)
- 18 Ney (R)

### OKLAHOMA

- 1 Largent (R)
- 2 Coburn (R)
- 3 Watkins (R)
- 4 Watts (R)
- 5 Istook (R)
- 6 Lucas (R)

### OREGON

- 2 Smith (R)

### PENNSYLVANIA

- 5 Peterson (R)
- 8 Greenwood (R)
- 9 Shuster (R)

- 13 Fox (R)
- 16 Pitts (R)
- 17 Gekas (R)
- 19 Goodling (R)
- 21 English (R)

### SOUTH CAROLINA

- 1 Sanford (R)
- 2 Spence (R)
- 3 Graham (R)
- 4 Inglis (R)

### SOUTH DAKOTA

- AL Thune (R)

### TENNESSEE

- 1 Jenkins (R)
- 2 Duncan (R)
- 3 Wamp (R)
- 4 Hilleary (R)
- 7 Bryant (R)
- 8 Tanner (D)

### TEXAS

- 3 Johnson, S. (R)
- 4 Hall (D)
- 5 Sessions (R)
- 6 Barton (R)
- 7 Archer (R)
- 8 Brady (R)
- 12 Granger (R)
- 13 Thornberry (R)
- 14 Paul (R)
- 17 Stenholm (D)
- 19 Combest (R)
- 22 DeLay (R)
- 26 Armey (R)

### UTAH

- 1 Hansen (R)
- 2 Cook (R)

### VIRGINIA

- 1 Bateman (R)
- 5 Goode (D)
- 6 Goodlatte (R)
- 7 Bliley (R)
- 10 Wolf (R)
- 11 Davis (R)

### WASHINGTON

- 1 White (R)
- 3 Smith (R)
- 4 Hastings (R)

## GAIN UPDATE

- 5 Nethercutt (R)  
8 Dunn (R)

**WISCONSIN**

- 1 Neumann (R)  
2 Klug (R)  
6 Petri (R)  
9 Sensenbrenner (R)

**WYOMING**

- AL Cubin (R)

**VOTED AGAINST REFORM****ALABAMA**

- 5 Cramer (D)  
7 Hilliard (D)

**ALASKA**

- AL Young (R)

**ARIZONA**

- 2 Pastor (D)

**ARKANSAS**

- 1 Berry (D)  
2 Snyder (D)

**CALIFORNIA**

- 3 Fazio (D)  
5 Matsui (D)  
6 Woolsey (D)  
7 Miller (D)  
8 Pelosi (D)  
10 Tauscher (D)  
12 Lantos (D)  
13 Stark (D)  
14 Eshoo (D)  
15 Campbell (R)  
16 Lofgren (D)  
17 Farr (D)  
18 Condit (D)  
20 Dooley (D)  
22 Capps (D)  
24 Sherman (D)  
26 Berman (D)  
29 Waxman (D)  
30 Becerra (D)  
31 Martinez (D)  
32 Dixon (D)  
33 Roybal-Allard (D)  
34 Torres (D)  
42 Brown (D)  
46 Sanchez (D)  
50 Filner (D)

**COLORADO**

- 1 DeGette (D)  
2 Skaggs (D)

**CONNECTICUT**

- 1 Kennelly (D)  
2 Gejdenson (D)  
3 DeLauro (D)  
4 Shays (R)  
5 Maloney (D)  
6 Johnson (R)

**FLORIDA**

- 5 Thurman (D)  
11 Davis (D)  
17 Meek (D)  
19 Wexler (D)  
20 Deutsch (D)  
21 Diaz-Balart (R)  
23 Hastings (D)

**GEORGIA**

- 2 Bishop (D)  
4 McKinney (D)  
5 Lewis (D)

**HAWAII**

- 1 Abercrombie (D)  
2 Mink (D)

**ILLINOIS**

- 1 Rush (D)  
2 Jackson (D)  
3 Lipinski (D)  
4 Gutierrez (D)  
5 Blagojevich (D)  
7 Davis (D)  
11 Weller (R)  
12 Costello (D)  
17 Evans (D)  
18 LaHood (R)  
19 Poshard (D)  
20 Shimkus (R)

**INDIANA**

- 1 Visclosky (D)  
3 Roemer (D)  
9 Hamilton (D)  
10 Carson (D)

**IOWA**

- 3 Boswell (D)

**KENTUCKY**

- 6 Baesler (D)

**MAINE**

- 1 Allen (D)  
2 Baldacci (D)

**MARYLAND**

- 4 Wynn (D)  
5 Hoyer (D)  
7 Cummings (D)

**MASSACHUSETTS**

- 1 Olver (D)  
2 Neal (D)  
3 McGovern (D)  
4 Frank (D)  
5 Meehan (D)  
6 Tierney (D)  
7 Markey (D)  
8 Kennedy II (D)  
9 Moakley (D)  
10 Delahunt (D)

**MICHIGAN**

- 1 Stupak (D)  
5 Barcia (D)  
8 Stabenow (D)  
9 Kildee (D)  
10 Bonior (D)  
12 Levin (D)

- 13 Rivers (D)  
15 Kilpatrick (D)  
16 Dingell (D)

**MINNESOTA**

- 2 Minge (D)  
4 Vento (D)  
5 Sabo (D)  
6 Luther (D)  
7 Peterson (D)  
8 Oberstar (D)

**MISSISSIPPI**

- 2 Thompson (D)

**MISSOURI**

- 1 Clay (D)  
3 Gephardt (D)  
4 Skelton (D)  
5 McCarthy (D)  
6 Danner (D)

**NEW JERSEY**

- 1 Andrews (D)  
4 Smith (R)  
6 Pallone (D)  
7 Franks (R)  
8 Pascarella (D)  
9 Rothman (D)  
13 Menendez (D)

**NEW YORK**

- 1 Forbes (R)  
2 Lazio (R)  
3 King (R)  
4 McCarthy (D)  
5 Ackerman (D)  
6 Meeks (D)  
7 Manton (D)  
8 Nadler (D)  
9 Schumer (D)  
10 Towns (D)  
11 Owens (D)  
12 Velazquez (D)  
14 Maloney (D)  
16 Serrano (D)  
18 Lowey (D)  
19 Kelly (R)  
23 Boehlert (R)  
24 McHugh (R)  
26 Hinchey (D)  
28 Slaughter (D)  
29 LaFalce (D)  
30 Quinn (R)

**NORTH CAROLINA**

- 1 Clayton (D)  
2 Etheridge (D)  
4 Price (D)  
8 Hefner (D)  
12 Watt (D)

**NORTH DAKOTA**

- AL Pomeroy (D)

**OHIO**

- 3 Hall (D)  
6 Strickland (D)  
9 Kaptur (D)  
10 Kucinich (D)  
11 Stokes (D)

- 13 Brown (D)  
14 Sawyer (D)  
17 Traficant (D)  
19 LaTourette (R)

**OREGON**

- 1 Furse (D)  
3 Blumenauer (D)  
4 DeFazio (D)  
5 Hooley (D)

**PENNSYLVANIA**

- 2 Fattah (D)  
3 Borski (D)  
4 Klink (D)  
6 Holden (D)  
7 Weldon (R)  
11 Kanjorski (D)  
12 Murtha (D)  
14 Coyne (D)  
15 McHale (D)  
18 Doyle (D)  
20 Mascara (D)

**RHODE ISLAND**

- 1 Kennedy (D)  
2 Weygand (D)

**SOUTH CAROLINA**

- 5 Spratt (D)  
6 Clyburn (D)

**TENNESSEE**

- 5 Clement (D)  
6 Gordon (D)

**TEXAS**

- 1 Sandlin (D)  
2 Turner (D)  
9 Lampson (D)  
10 Doggett (D)  
11 Edwards (D)  
15 Hinojosa (D)  
16 Reyes (D)  
24 Frost (D)  
25 Bentsen (D)  
27 Ortiz (D)  
28 Rodriguez (D)  
29 Green (D)

**VERMONT**

- AL Sanders (I)

**VIRGINIA**

- 2 Pickett (D)  
3 Scott (D)  
4 Sisk (D)  
8 Moran (D)  
9 Boucher (D)

**WASHINGTON**

- 2 Metcalf (R)  
6 Dicks (D)  
9 Smith (D)

**WEST VIRGINIA**

- 1 Mollohan (D)  
2 Wise (D)  
3 Rahall (D)

**WISCONSIN**

- 3 Kind (D)  
4 Kleczka (D)

- 5 Barrett (D)  
7 Obey (D)  
8 Johnson (D)

**DID NOT VOTE****CALIFORNIA**

- 9 (Vacant)  
35 Waters (D)  
36 Harman (D)  
37 Millender-McDonald (D)  
39 Royce (R)  
44 (Vacant)

**FLORIDA**

- 3 Brown (D)  
18 Ros-Lehtinen (R)

**IDAHO**

- 2 Crapo (R)

**ILLINOIS**

- 9 Yates (D)

**KENTUCKY**

- 5 Rogers (R)

**LOUISIANA**

- 2 Jefferson (D)  
5 Cooksey (R)

**MARYLAND**

- 3 Cardin (D)

**MICHIGAN**

- 14 Conyers (D)

**NEW JERSEY**

- 10 Payne (D)

**NEW MEXICO**

- 1 (Vacant)

**NEW YORK**

- 15 Rangel (D)  
17 Engel (D)  
20 Gilman (R)  
21 McNulty (D)  
22 Solomon (R)  
31 Houghton (R)

**PENNSYLVANIA**

- 1 (Vacant)  
10 McDade (R)

**TENNESSEE**

- 9 Ford (D)

**TEXAS**

- 18 Jackson-Lee (D)  
20 Gonzalez (D)  
21 Smith (R)  
23 Bonilla (R)  
30 Johnson, E.B. (D)

**UTAH**

- 3 Cannon (R)

**WASHINGTON**

- 7 McDermott (D)

# GAIN UPDATE

*Continued From Page 7A*

The president's fiscal 1999 budget proposal includes \$6.3 billion in energy-related tax cuts over five years and new spending for research on nonpolluting energy, such as solar and wind power.

## Chamber Urges Congress To Simplify Pension Laws To Encourage More Plans

The Chamber is urging Congress to simplify pension laws to ease the administrative burdens on employers and to encourage more small businesses to establish pension plans.

The organization is seeking repeal of the so-called top-heavy rules, which are particularly onerous for small employers. They impose administrative and contribution requirements on small employers whose key employees accumulate 60 percent or more of a company retirement plan's assets.

"Those requirements are causing many small companies to forgo pension-plan sponsorship," says David Kemps, manager of employee-benefits policy for the Chamber.

Legislation (S. 889) sponsored by Sens. Orrin G. Hatch, R-Utah, and Bob Graham, D-Fla., would improve, but not eliminate, the top-heavy rules. The Chamber generally supports the bill, though it prefers repeal.

The Chamber is also pushing for changes in the rules for defined-benefit pension plans to encourage the use of these plans as retirement-planning tools by businesses. Defined-benefit plans require an employer to pay a specific benefit amount to each retiree.

The Chamber is supporting legislation (H.R. 1656) in the House sponsored by Reps. Nancy Johnson, R-Conn., and Earl Pomeroy, D-N.D., and a similar bill in the Senate (S. 883), sponsored by Sen. Judd Gregg, R-N.H., that would create a simple-to-administer defined-benefit plan for small employers.

The Graham-Hatch pension-reform bill also would create such a defined-benefit plan. Known as the SAFE plan, the legislation would allow an employer to provide a minimum defined pension benefit of 1, 2, or 3 percent of an employee's compensation for each year of participation in the plan. The employer could reduce the percentage to zero in financially difficult years.

Under the plan, benefits could be maintained through an individual retirement annuity or as part of a qualified plan trust. The benefits would be portable, with funds transferable to either an annuity or a regular individual retirement account (IRA).

Other changes sought by the Chamber in the rules for defined-benefit plans include repeal of the top-funding limit of 150 percent of a plan's current liability. Eliminating this limit would allow employers to fund their plans based on projected rather than current liabilities.

Also, says the Chamber, employees should be allowed to make contributions to their defined-benefit plans on a pretax basis. Currently, such contributions are prohibited.

Other pension-law reforms the Chamber is backing include a repeal of a provision that limits the amount that can be contributed to an employee's defined-contribution pension-plan account. The limit is 25 percent of a worker's compensation or \$30,000, whichever is less. Defined-contribution plans require an employer to contribute a specific amount for each employee.

"This is simply a roadblock that inhibits the ability of lower-paid employees to participate fully in their employer's 401(k) plan," says Kemps. "By limiting the amount, lower-paid employees are being told that they cannot save for retirement at levels they might otherwise be able to achieve."

Sen. Charles E. Grassley, R-Iowa, has introduced legislation (S. 1856), supported by the Chamber, to repeal the 25 percent provision.

The business federation is also pushing for an increase in the employee compensation level used to determine the amount of pension contributions that can be made and benefits that can be received. President Clinton's 1993 budget law reduced the compensation level from more than \$230,000 to \$150,000. The limit was raised to \$160,000 in 1997 as part of periodic adjustments made for inflation. The Chamber would like the level to be increased to at least the pre-1993 amount.

"These and other proposed changes," says the Chamber's Kemps, "should go a long way toward restoring some attractiveness to the private pension system by providing employers with appropriate incentives for sponsoring



retirement plans for their employees."

The Chamber is also working on pension changes proposed by the Clinton administration as part of its fiscal 1999 budget proposal. The Chamber opposes most of the proposals, but some would benefit small businesses, says Kemps.

The administration's proposal to provide a tax credit to small employers to help defray the costs of starting a pension plan, for example, would help small firms overcome some of the cost barriers to establishing a retirement plan.

But "without further easing of the administrative burdens that small employers face once the plan is operational," Kemps says, "a tax credit will not prove to be too effective in expanding coverage."

Another administration proposal that Kemps says has merit would allow employers to establish payroll-deductible IRA programs for their employees.

The Chamber's current efforts build on its work in recent years to win simplification of pension laws and other pension reforms. Last year, for example, the Chamber helped persuade Congress to pass several pension reforms as part of the Taxpayer Relief Act.

Among the most important provisions in that law were an increase in the funding limit for defined-benefit plans, repeal of a provision that prohibited self-employed individuals from receiving matching contributions to their 401(k) plans to the same extent as their employees, and an increase to \$5,000 from \$3,500 in the cash-out amount for individuals who no longer are participating in an employer's pension plan.

## ■ Victory

# Paperwork Fines Would Be Waived

**S**mall businesses would be exempt from fines for most first-time violations related to government paperwork requirements under a bill passed recently by the House.

The measure, approved March 26 by a 267-140 vote and strongly backed by the U.S. Chamber of Commerce, would revise the Paperwork Reduction Act of 1995. That law set a goal for each federal agency of reducing the amount of government paperwork the public must fill out by 10 percent in fiscal 1996 and 1997 and by 5 percent in each subsequent fiscal year through 2001. The law expires Sept. 30, 2001.

Most agencies have failed to meet the goal, said Rep. David McIntosh, R-Ind., who sponsored the Small Business Paperwork Reduction Act Amendments, which would waive penalties on small firms for most first-time paperwork violations.

The measure also would require agencies to set up hot lines to help businesses with questions about federal forms and to post on the Internet regulations that affect small firms. Federal rules already must be published in the *Federal Register*.

A Senate version of the House legislation has been introduced by Sen. Susan M. Collins, R-Maine.

## ■ Pension Reform



John Kimpel, senior vice president and deputy general counsel of Fidelity Investments, urged a Senate panel to approve pension-law reforms. He testified on behalf of the U.S. Chamber on March 17 before the Senate Labor and Human Resources Committee.

## ■ Unions

# Dues Restrictions Urged

**T**he U.S. Chamber of Commerce is backing a host of measures aimed at protecting the paychecks of union employees.

The business federation is urging the passage of measures pending in Congress, initiatives expected to be on ballots in several states, and legislation before about 30 state legislatures—all of which would prohibit labor unions from using members' dues for political purposes without their express consent.

Most of the measures, including the federal bills, would require that a union obtain written permission from each member to use a portion of the employee's dues for political or other activities unrelated to collective bargaining.

The U.S. Supreme Court, in *Communication Workers of America vs. Beck*, ruled in 1988 that any

worker who is required to pay union dues as a condition of employment can demand a refund of that portion of his or her dues that goes to purposes other than collective bargaining, such as political contributions.

President Bush then issued an executive order requiring federal contractors to post notices advising employees of their rights under the Beck decision. But President Clinton rescinded the posting order in 1993.

Now a number of states and lawmakers in Congress are poised to codify and strengthen the Beck decision to protect workers' rights.

Several states already have paycheck-protection laws, including Idaho, Michigan, Washington, and Wyoming, which adopted its law in March. And the issue is expected to gain considerable momentum if California voters approve a comparable initiative, Proposition 226, on June 2.

The California Campaign Reform Initiative, which the Chamber strongly

supports, would bar labor unions from using any portion of a member's dues for political purposes without annual written authorization from the member.

At a March 19 speech to business leaders at a Policy Insiders meeting at the Chamber, California Gov. Pete Wilson said that Proposition 226 would give workers in his state "the right to choose for themselves if and how to spend their hard-earned money on politics."



California Gov. Pete Wilson, speaking recently at the U.S. Chamber, said a state initiative would give union workers the right to choose whether to use their dues to support political candidates.

"It extends to rank-and-file labor union members the same precious right now enjoyed by everyone else but union members—the right to support candidates and to advocate issues of their own free choice," said Wilson. "That includes the right to choose not to support any candidate and not to advocate any issue."

Voters in Colorado, Nevada, and Oregon are

expected to vote on paycheck-protection initiatives Nov. 3—Election Day. Supporters of a similar measure are trying to get it on the ballot in Arizona.

"The U.S. Chamber strongly supports both federal and state efforts to protect workers' freedom to choose whether or not to participate in the political process," says Bruce Josten, the Chamber's executive vice president for government affairs. "It violates basic American rights to be compelled or coerced to support causes or candidates that you oppose."

While nearly 40 percent of union households have voted for Republicans in recent congressional elections, Josten points out, labor organizations gave 92 percent of their campaign contributions to Democrats in the most recent election cycle, according to Federal Election Commission records. Additionally, the AFL-CIO spent more than \$35 million in 1996 in an effort to oust pro-business lawmakers in Congress, all of whom are Republicans.

# Politics

# U.S. Chamber Endorses 'Friends

The board of directors of the U.S. Chamber of Commerce, at its Feb. 23 meeting, endorsed 10 U.S. senators and 214 U.S. representatives for re-election in November.

The 224 lawmakers earned endorsements as "friends of business" by voting at least 70 percent of the time during their tenures in Congress for the Chamber's position on selected issues important to business.

The endorsements are based on the results of the annual analysis of votes reported in the Chamber's *How They Voted* publication. All endorsements are recommended and reviewed by the Chamber's Public Affairs Committee and approved by the business federa-

tion's board of directors.

Following is the list of members of Congress endorsed for re-election in 1998 as "friends of business." (Only one-

third of the Senate is up for election.) Beside each name is the percentage of votes the lawmaker has cast in line with the Chamber position during his or her congressional tenure.

Endorsed Senate candidates are listed by state; House candidates are listed by congressional district within states.

The Chamber expects to endorse other candidates for the House and the Senate as the year progresses.

For more information about the Chamber's political program, call Doug Loon, director of congressional and public affairs, at (202) 463-5600.

## Senate

### ALASKA

Frank H. Murkowski (R) 84%

### ARIZONA

John McCain (R) 86

### GEORGIA

Paul Coverdell (R) 94

### IOWA

Charles E. Grassley (R) 81

### KANSAS

Sam Brownback (R) 98

### MISSOURI

Christopher "Kit" S. Bond (R) 91

### NEW HAMPSHIRE

Judd Gregg (R) 89

### NORTH CAROLINA

Lauch Faircloth (R) 81

### OKLAHOMA

Don Nickles (R) 90

### UTAH

Robert Bennett (R) 96

## House of Representatives

### ALABAMA

1 Sonny Callahan (R) 91%  
2 Terry Everett (R) 88  
3 Bob Riley (R) 78  
4 Robert B. Aderholt (R) 80  
6 Spencer Bachus (R) 93

### ALASKA

AL Don Young (R) 70

### ARIZONA

1 Matt Salmon (R) 85  
3 Bob Stump (R) 89  
4 John Shadegg (R) 89  
5 Jim Kolbe (R) 95  
6 J.D. Hayworth (R) 95

### ARKANSAS

3 Asa Hutchinson (R) 90  
4 Jay Dickey (R) 89

### CALIFORNIA

2 Wally Herger (R) 92  
4 John Doolittle (R) 86  
11 Richard Pombo (R) 86  
15 Tom Campbell (R) 81  
19 George P. Radanovich (R) 91  
21 William M. Thomas (R) 94  
23 Elton Gallegly (R) 93  
25 Howard "Buck" McKeon (R) 98

27 James E. Rogan (R) 80  
28 David Dreier (R) 93  
38 Steve Horn (R) 82  
39 Edward Royce (R) 88  
40 Jerry Lewis (R) 82  
41 Jay Kim (R) 100  
43 Ken Calvert (R) 100  
45 Dana Rohrabacher (R) 87  
47 Christopher Cox (R) 86  
48 Ron Packard (R) 92  
49 Brian Bilbray (R) 90  
51 Randy Cunningham (R) 92  
52 Duncan Hunter (R) 86

### COLORADO

3 Scott McInnis (R) 90  
4 Bob Schaffer (R) 90  
5 Joel Hefley (R) 90

### CONNECTICUT

6 Nancy L. Johnson (R) 71

### DELAWARE

AL Michael Castle (R) 92

### FLORIDA

1 Joe Scarborough (R) 84  
2 F. Allen Boyd Jr. (D) 80  
4 Tillie Fowler (R) 91  
6 Cliff Stearns (R) 79  
7 John Mica (R) 93

8 Bill McCollum (R) 90  
9 Michael Bilirakis (R) 84  
10 C. W. Bill Young (R) 81  
12 Charles Canady (R) 94  
13 Dan Miller (R) 95  
14 Porter J. Goss (R) 87  
15 David Weldon (R) 89  
16 Mark Foley (R) 97  
18 Ileana Ros-Lehtinen (R) 74  
21 Lincoln Diaz-Balart (R) 73  
22 E. Clay Shaw Jr. (R) 87

### GEORGIA

1 Jack Kingston (R) 88  
3 Michael "Mac" Collins (R) 86  
6 Newt Gingrich (R) 90  
7 Bob Barr (R) 90  
8 Saxby Chambliss (R) 96  
9 Nathan Deal (R) 87  
10 Charles Norwood (R) 97  
11 John Linder (R) 98

### IDAHO

1 Helen Chenoweth (R) 83

### ILLINOIS

6 Henry J. Hyde (R) 86  
8 Philip M. Crane (R) 88  
10 John Edward Porter (R) 85  
11 Jerry Weller (R) 89  
14 J. Dennis Hastert (R) 92

# Of Business' For '98 Elections

## House of Representatives

15 Thomas Ewing (R)	92
16 Donald Manzullo (R)	93
18 Ray LaHood (R)	85
20 John M. Shimkus (R)	80

### INDIANA

2 David McIntosh (R)	89
4 Mark Souder (R)	82
5 Steve Buyer (R)	99
6 Dan Burton (R)	87
7 Edward A. Pease (R)	90
8 John N. Hostettler (R)	84

### IOWA

1 Jim Leach (R)	73
2 Jim Nussle (R)	95
3 Leonard L. Boswell (D)	70
4 Greg Ganske (R)	88
5 Tom Latham (R)	99

### KANSAS

1 Jerry Moran (R)	90
2 Jim R. Ryun (R)	100
3 Vincent K. Snowbarger (R)	100
4 Todd Tiahrt (R)	95

### KENTUCKY

1 Edward Whitfield (R)	98
2 Ron Lewis (R)	86
3 Anne M. Northup (R)	100
5 Harold Rogers (R)	81

### LOUISIANA

1 Bob Livingston (R)	88
3 W. J. "Billy" Tauzin (R)	77
4 Jim McCrery (R)	95
5 John C. Cooksey (R)	100
6 Richard H. Baker (R)	95
7 Chris John (D)	100

### MARYLAND

1 Wayne Gilchrest (R)	92
2 Robert Ehrlich Jr. (R)	91
6 Roscoe Bartlett (R)	94

### MICHIGAN

2 Peter Hoekstra (R)	95
3 Vernon Ehlers (R)	93
4 Dave Camp (R)	96
6 Fred Upton (R)	93
7 Nick Smith (R)	92
11 Joseph Knollenberg (R)	95

### MINNESOTA

1 Gil Gutknecht (R)	98
3 Jim Ramstad (R)	87

### MISSISSIPPI

1 Roger Wicker (R)	99
3 Charles "Chip" Pickering Jr. (R)	90

### MISSOURI

2 James Talent (R)	92
7 Roy Blunt (R)	90
8 Jo Ann H. Emerson (R)	90
9 Kenny C. Hulshof (R)	90

### MONTANA

AL Rick A. Hill (R)	80
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### NEBRASKA

1 Doug Bereuter (R)	86
3 Bill Barrett (R)	93

### NEVADA

2 James A. Gibbons (R)	80
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### NEW HAMPSHIRE

1 John E. Sununu (R)	100
2 Charles Bass (R)	95

### NEW JERSEY

2 Frank A. LoBiondo (R)	76
3 Jim Saxton (R)	81
5 Marge Roukema (R)	74
7 Bob Franks (R)	87
11 Rodney Frelinghuysen (R)	88
12 Michael Pappas (R)	70

### NEW MEXICO

2 Joe Skeen (R)	86
3 Bill Redmond (R)	100

### NEW YORK

1 Michael P. Forbes (R)	71
2 Rick Lazio (R)	85
3 Peter King (R)	71
19 Sue W. Kelly (R)	83
22 Gerald B.H. Solomon (R)	80
24 John McHugh (R)	82
25 James T. Walsh (R)	77
30 Jack Quinn (R)	81
31 Amo Houghton (R)	84

### NORTH CAROLINA

2 Bob Etheridge (D)	70
3 Walter Jones Jr. (R)	90
5 Richard M. Burr (R)	91
6 Howard Coble (R)	90
7 Mike McIntyre (D)	80
9 Sue Myrick (R)	93
10 Cass Ballenger (R)	94

11 Charles H. Taylor (R)	88
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### OHIO

1 Steve Chabot (R)	95
2 Rob Portman (R)	95
4 Michael G. Oxley (R)	93
5 Paul E. Gillmor (R)	84
7 David Hobson (R)	88
8 John A. Boehner (R)	93
12 John R. Kasich (R)	89
15 Deborah Pryce (R)	95
16 Ralph Regula (R)	76
18 Bob Ney (R)	85
19 Steven C. LaTourette (R)	91

### OKLAHOMA

1 Steve Largent (R)	92
2 Tom Coburn (R)	85
4 J.C. Watts (R)	96
5 Ernest Istook Jr. (R)	92
6 Frank D. Lucas (R)	95

### PENNSYLVANIA

5 John E. Peterson (R)	100
7 Curt Weldon (R)	77
8 Jim Greenwood (R)	90
9 Bud Shuster (R)	87
13 Jon D. Fox (R)	85
16 Joseph R. Pitts (R)	100
17 George W. Gekas (R)	90
19 William F. Goodling (R)	79
21 Philip S. English (R)	83

### SOUTH CAROLINA

1 Mark Sanford Jr. (R)	78
2 Floyd Spence (R)	85
3 Lindsey Graham (R)	95

### SOUTH DAKOTA

AL John R. Thune (R)	90
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### TENNESSEE

1 William L. Jenkins (R)	100
2 John J. Duncan Jr. (R)	81
3 Zach Wamp (R)	88
4 Van Hilleary (R)	95
7 Ed Bryant (R)	100

### TEXAS

1 Max A. Sandlin (D)	70
2 Jim Turner (D)	80
3 Sam Johnson (R)	95
4 Ralph M. Hall (D)	75
5 Pete Sessions (R)	90
6 Joe Barton (R)	90
7 Bill Archer (R)	92

8 Kevin P. Brady (R)	100
12 Kay Granger (R)	100

13 William "Mac" Thornberry (R)	98
14 Ron E. Paul (R)	73
17 Charles W. Stenholm (D)	79
19 Larry Combest (R)	92
21 Lamar S. Smith (R)	92
22 Tom DeLay (R)	93
23 Henry Bonilla (R)	97
26 Richard K. Armey (R)	96

### UTAH

1 James V. Hansen (R)	92
2 Merrill Cook (R)	80
3 Christopher Cannon (R)	90

### VIRGINIA

1 Herbert H. Bateman (R)	87
5 Virgil H. Goode Jr. (D)	80
6 Bob Goodlatte (R)	96
7 Thomas J. Bliley Jr. (R)	94
10 Frank R. Wolf (R)	81
11 Thomas M. Davis III (R)	94

### WASHINGTON

1 Rick White (R)	96
2 Jack Metcalf (R)	76
4 Doc Hastings (R)	100
5 George R. Nethercutt Jr. (R)	98
8 Jennifer Dunn (R)	98

### WISCONSIN

6 Thomas E. Petri (R)	77
9 F. James Sensenbrenner Jr. (R)	81

### WYOMING

AL Barbara Cubin (R)	90
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## ■ Legislation

# Ban On Internet Tax Backed

To head off a move by state and local governments to further tax commerce conducted over the Internet, the U.S. Chamber of Commerce is backing congressional proposals to impose a moratorium on such levies.

The Chamber is supporting legislation sponsored in the House by Rep. Christopher Cox, R-Calif., and in the Senate by Sen. Ron Wyden, D-Ore.

The House Judiciary and Commerce committees were expected to consider the legislation in mid- or late April. While House floor action is uncertain, a Senate floor vote on Wyden's bill could come during the week of April 20.

The House legislation would impose a three-year ban on new state and local taxes on purchases made via the

Internet. Existing Internet taxes, however, would remain in place.

The Chamber opposes the exemption of current Internet taxes from the moratorium and is urging the House to amend the Cox bill accordingly.

The House measure also would create a commission to study Internet taxation, including a proposal to allow each state to set a single-rate tax for online and mail-order sales.

The Senate bill calls for a six-year tax moratorium and would prohibit states and localities that currently tax Internet transactions from collecting the taxes during that period. It also would create a commission to study Internet taxation.



## ■ Electricity

# Free Seminars Are Scheduled

Business people are invited to attend free seminars on reaping savings from the coming restructuring of the electric-utility industry.

The seminars, sponsored by Select Energy Inc. and produced by the U.S. Chamber, will air by satellite from 1 to 3 p.m. Eastern time. Following are the dates and topics: June 2, Facilities Management Opportunities; June 18, Opportunities for Industrial Operations; Sept. 15, Unique Opportunities in Water Treatment.

Select Energy is a subsidiary of Northeast Utilities, both of which are in Berlin, Conn.

For information about the seminars by fax, call 1-800-851-8705, Ext. 505, or visit the Chamber's Web site at [www.uschamber.org/programs/qls](http://www.uschamber.org/programs/qls).

## ■ Testimony

# Privatize Federal Jobs, Chamber Urges

Businesses could gain access to billions of dollars of government contracts under legislation being pushed by the U.S. Chamber of Commerce.

The Chamber and the Coalition for Taxpayer Value, a group of businesses led by the Chamber, are urging swift congressional action on pending House and Senate bills that would require the federal government to buy the goods and services it needs from private companies whenever it is possible and cost-effective.

The House bill (H.R. 716), sponsored by Reps. Steve Horn, R-Calif., John J. Duncan Jr., R-Tenn., and Pete Sessions, R-Texas, is titled the Competition and Commercial Activities Act. The Senate bill (S. 314), sponsored by Sens. Sam Brownback, R-Kan., and Craig Thomas, R-Wyo., is named the Fair Competition Act.

The measures would establish a firm, consistent federal policy on contracting out—or outsourcing—functions previously performed by government agencies and departments.

They would require the government to compare a private company's costs of manufacturing goods or performing services with a government agency's costs,

including its direct and indirect expenses. The quality of the goods or services to be provided would also be compared. The



**U.S. Chamber witness Douglas K. Stevens urges Congress to pass legislation that would privatize many of the functions performed by government.**

government would have to rely on the entity providing the best value.

Only a few goods or services—those necessary for national security, for example—would be exempt from the policy.

"The legislation would prohibit new—and drastically reduce existing—government competition with the private sector," said Douglas K. Stevens in testimony March 24 on behalf of the Chamber. Stevens is a partner in Washington with the accounting and management consulting firm Grant Thornton LLP, based in Chicago.

He told a joint hearing of House Government Reform and Oversight and Senate Governmental Affairs subcommittees that "the government could save taxpayers billions of dollars" by outsourcing government jobs to the private sector.

The Chamber, using various government figures, has estimated that privatization could save as much as \$10.4 billion a year without reducing services.

*Please call or write your senators and representative and urge them to support H.R. 716 and S. 314. Tell them these bills could save billions of taxpayer dollars without reducing services. Lawmakers can be reached through the Capitol switchboard at (202) 224-3121 or by writing the U.S. Senate, Washington, D.C. 20510, or the U.S. House of Representatives, Washington, D.C. 20515.*

## ■ Transportation

# Road Funds To Increase

*Continued From Page 1A*

House members followed their Senate colleagues in approving, 337-80, legislation to authorize additional funding for construction and repair of highways and bridges, mass-transit projects, and highway safety and transportation research. The corresponding Senate bill passed in early March by a vote of 96-4.

The next action will occur in a House-Senate conference committee, which will work out differences between the bills.

The House-approved Building Efficient Surface Transportation and Equity Act, or BESTEA, would authorize \$217 billion in transportation spending over six years. The Senate bill, known as ISTE II—the Intermodal Surface Transportation Efficiency Act—would provide \$214 billion.

Both bills reauthorize the 1991 ISTE, which expired Sept. 30. Congress approved an extension of the law at the end of last year; funding was set to expire May 1.

ISTEA sets transportation priorities and requests congressional spending to

meet those needs. The actual funding results from the annual appropriations process.

The 1991 act authorized \$157 billion to

safety; and transportation research.

In addition to reauthorizing and increasing transportation funding, the House bill would require that funds paid into the Highway Trust Fund be spent on road and bridge construction and repairs and on mass transit, a provision urged by the Chamber.

The trust fund has collected more than \$30 billion annually over the past several years, mostly through federal taxes on motor fuels. However, Congress has allocated much less each year in an effort to mask the size of federal budget deficits.

The House bill would take the trust fund off budget to ensure that all money put into the fund is spent on highways. While the Senate bill also calls for all trust-fund money to be spent, there is no mechanism for ensuring that would happen.

"The House bill ensures that the federal government will keep its commitment to the American people to dedicate highway-user taxes to fix transportation problems," Donohue said.



Sen. Max Baucus, D-Mont., recently conferred with the U.S. Chamber's Transportation Infrastructure Committee on the importance of reauthorizing the federal transportation law.

be spent over six years in five broad program areas: highways, including bridges; mass transit; highway safety; truck

American people to dedicate highway-user taxes to fix transportation problems," Donohue said.

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# U.S. Chamber Member Benefits

Here are some of the most important products, services, and programs offered by the U.S. Chamber.

## ■ Chamber On The Internet

The products and services offered by the Chamber can be viewed on the business federation's Internet home page at [www.uschamber.org](http://www.uschamber.org).

In a members-only section of the Chamber site, Chamber members can view in-depth information on the organization's policies and issues; review articles from *The Business Advocate*; respond to the Business Ballot poll; see information on their representative and senators in the Chamber's 1998 Congressional Handbook; and view announcements of upcoming Chamber events.

The members-only section's address is [www.uschamber.org/member/password.html](http://www.uschamber.org/member/password.html). Use your member identification number to reach this area of the Chamber site. (If you don't know your Chamber ID number, call 1-800-649-9719.)

## ■ Directory Of State Chambers

A listing of officers and staff specialists at state chambers of commerce and at business and industry associations is available from the U.S. Chamber's Office of Chamber of Commerce Relations.

The 1998 Staff Directory lists each organization's address and telephone and fax numbers. E-mail addresses are listed for the organizations that have them.

The directory also includes a listing of the key management staff members of the

U.S. Chamber and its regional offices and the corresponding telephone numbers.

The directory costs \$20 per copy for one to 19 copies and \$15 each for 20 or more copies. To place orders, call (202) 463-5580, or send a check payable to the U.S. Chamber of Commerce to Publications Fulfillment, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000. Ask for Publication No. 0499.

## ■ Business Products

*Nation's Business*, the Chamber's monthly magazine, offers a number of products to help small-business owners and managers in running their businesses.

They include:



**The 21st Century Manager**, a package of videotapes and workbooks designed to improve management skills. The cost of the package, which includes four videos, is \$69.95, plus \$6 for shipping and handling. To order, call 1-800-547-5995.

**Managing People** is a CD-ROM software program that helps improve management and leadership skills. It teaches how to increase motivation, resolve conflicts, and coach and manage difficult people.



**Hiring Top Performers**, also a CD-ROM program, offers techniques to help managers hire the right people. The software includes 600 sample interview questions.

"Managing People" and "Hiring

**Top Performers**" are \$39.95 each, plus \$4.50 each for shipping and handling. One or both can be ordered by calling 1-800-222-3393.



## ■ Studio Rental

The Chamber's television facilities in Washington, D.C., can be rented for videoconferences, professional briefings, and other programs.

For more information, contact Suzi Montes de Oca at (202) 463-5921.

## ■ Technology Seminars

The Chamber, in conjunction with the International Franchise Association's International Franchise Expo trade shows, is presenting seminars on technologies that can help small businesses remain competitive.

Titled "Small Business Crossings," the seminars feature educational breakout sessions, clinics, interactive demonstrations, and exhibits from leading technology companies such as Microsoft Corp. and IBM Corp.

The seminars will be held at the Merchandise Mart in Chicago May 29-31, at the Convention Center in Los Angeles Oct. 2-4, and at the

Javits Center in New York City Nov. 20-22.

The cost for the event is \$11. To register, call 1-888-872-2677 or sign up online at [www.uschamber.org/new/register.html](http://www.uschamber.org/new/register.html).

## ■ Why Join An Association?

There are numerous benefits to joining an association, and the Chamber's Office of Association Relations details them in a new publication: *Dividends: How Associations Can Help Your Business Or Profession*.

The publication includes success stories of businesses that have joined trade associations or professional societies, along with tips for getting the most out of an association membership.

To order the publication, which costs \$25 for Chamber members and \$30 for nonmembers, call (202) 463-5560 or mail a check payable to the U.S. Chamber of Commerce to Publications Fulfillment, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062-2000. Ask for Publication No. 0523.



## ■ Airborne Express Discounts Available

Through a special arrangement between the Chamber and Airborne Express, Chamber members can save up to 33 percent on the cost of overnight shipments to nearly anywhere in the United States and to the more than 200 foreign destinations served by Airborne.

The company offers round-the-clock customer service and computerized package tracking.

To obtain the special discount, call 1-800-636-2377 and identify yourself as a U.S. Chamber member. You will be sent a free starter kit on using Airborne Express.

## Small-Business Retirement Plans

The U.S. Chamber of Commerce and Fidelity Investments are offering a package of retirement plans and services that are designed to be accessible, affordable, and convenient for Chamber members.

The products—intended primarily for businesses employing fewer than 100 workers—include 401(k), Keogh, SEP-IRA, and SIMPLE (Savings Incentive Match Plan for Employees) plans.

Fidelity provides investment-management and record-keeping services as well as materials that employers can use to communicate with employees about the plans.

For more information, call Fidelity toll-free at 1-888-RET-PLAN (1-888-738-7526).



**Fidelity Investments®**